

EINANCIAL TIMES



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War on cancer The pressure for screening



Sweet deal What Cadbury sees



Hong Kong row Patten rises to Beijing's bait

China's 'supergun' may be destined for export market

China unveiled a 22-metre-long 85mm "supergum" which could be used against neighbouring countries. Defence attaches in Beijing said that while was no obvious target for such a device, South Korea and Taiwan would be within range. China has an arsenal of ground-to-ground missiles hut the weapon could be designed for export. Page 6

ister Anihal Cavaco Silva Portuguese prime control resurgence in the country, said he would not stand for re-election in October. Page 16

Metaligesellschaft, German industrial and trading company, rejected criticisms in a US law-suit by ex-chairman Heinz Schimmelbusch and said it would sue him in the next few days. Page 17

PLO to act against militants: The Palestine Liberation Organisation vowed to take tough action against Islamic extremists linked with Sunday's suicide bombing which killed 19 Israelis. Page 5; Terror takes its toll, Page 14

Halian PM likely to win confidence vote: Italy's new prime minister, Lamberto Dini, looked set to win a confidence vote in parliament with the abstention of the rightwing coalition of former premier Silvio Berlusconi. Page 2

IBM profits surge: International Business Machines reported its first full year of profitability and revenue growth since 1990, with fourth-quarter net earnings of \$1.2bn - well above Wall Street projections. Page 17; Poor results at Stratus, Page 20

UK growth revives fears of rate rise Britain's economy con-

tinued to grow at a fast

rate in the final quarter last year, boosting specu-

lation of a further rise in

bank base rates next

month or in March, The

UK's Central Statistical

gross domestic product,

the total of goods and

services produced, rose

by a seasonally adjusted 0.8 per cent in real terms

between the third and

Office estimated that

UK GDP

Source: CSO

fourth quarters, increasing output in the final 1994 quarter by 4 per cent compared with the same three months the year before. Page 8

Sameung Heavy Industries, South Korea's biggest construction equipment producer and one of several facing a dumping complaint from European rivals, is to establish its first foreign manufacturing plant in a former steel fabrication factory in northern England. Page 8

childcare system is feeling the strain of the crisis in public finances which has forced the ruling Social Democrats to propose public spending cuts of some SKr50bn (\$37bn). Page 16

Satellite phone contest: A race to build the first global hand-beld satellite phone system is under way with the completion of equity financing for one competing company, Inmarsat, Londonbased satellite communications group. Page 7

Author in court over oppression claim: Turkish author Yasar Kemal appeared at a state security court to explain statements in a German magazine article accusing the state of systematically oppressing its people, particularly the Kurds. No formal charges have been laid.

Mercedes-Benz, which expects its commercial vehicle operations to return to profit this year, plans to raise van production capacity in Europe by 60 per cent and begin van assembly in South Amer-

New FT print site

From today, the Financial Times begins printing In Sweden as part of its international expansion. The site at Jönköping in southern Sweden is the sixth in the newspaper's net-

The FT is also printed in London, Frankfurt, Roubaix (France). New Jersey (US), and Tokyo. Over the next year, the newspaper is planning to add print centres in southern Europe, Hong Kong and California.

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Cost savings expected from creation of world's largest drugs group

Glaxo in £9.4bn Wellcome bid

By Jenny Luesby in London

Glaxo yesterday launched a £9.4bn (\$14.7bn) bid for Wellcome, which would make Glaxo Well-come the world's largest drugs company but lead to substantial joh cuts among the new group's 62,000 employees.

Cost savings and complementary research programmes were the main reasons for the move, said Sir Richard Sykes, Glaxo's chief executive.

The Wellcome Trust, a research charity which owns 39.5 per cent of Wellcome's shares. agreed on Sunday to accept the offer, subject to High Court approval. Wellcome itself was only informed of the hid yester-day morning in a telephone conversation hetween Sir Richard and Mr John Robb, Wellcome's chairman and chief executive.

In view of the unsolicited nature of the offer, the Wellcome board was "evaluating all available options for the company", it said. It strongly recommended sharebolders "take no action".

The accord between Glaxo and the Wellcome Trust includes a four-day opt-out period, during which the trust can change its mind on the basis of new information from the Wellcome board. However, the offer itself is final and cannot be amended unless there is a rival hid.

Glaxo is offering £7.22 in cash and 0.47 of a new Glaxo share for each Wellcome share. This is based on a value of 1,025p per Wellcome share, which represents a 49 per cent premium over Friday's closing price of 688p, and

Wellcome Share price (pence) 1,000 1535 57 55 59 60 91 92 (3 9495

Medicine for a changing market Page 15 Editorial CommentPage 15 Page 15 .Page 16 Wellcome staff could net £170m ...

tion for Wellcome of £8.9bn. With the inclusion of unexercised share options in Wellcome, the bid values the company at £9.4bn. The options would yield a profit for staff of more than £170m.

Full acceptance of the offer, also available to sharebolders in the US, would involve the issue of 409m new Glaxo shares, equivalent to about 11.8 per cent of the company's enlarged ordinary share capital, and a cash payment of £6.3bn.

Lazard Brothers, Glaxo's financial advisers, said financing had been agreed with several banks to cover the whole cash payment. However, Glazo's net liquid assets are estimated at more than



Sir Richard Sykes yesterday: takeover of Wellcome would mean cost savings

an acquisition likely for some time, as had the expiry of patents on Glazo's best-selling ulcer treatment, Zantac, which accounts for about 43 per cent of £2.5hn. This cash pile had made sales. Glaxo has just won

approval for a non-prescription version of the drug in the UK, but earnings growth is bound to slow eventually and the company yesterday reported the first fall

half of last year.

For similar reasons, Wellcome has been seen as a likely take-

Continued on Page 16

Head of Britain's top life insurer quits

By Norma Cohen and William Lewis in London

Mick Newmarch, executive of Prudential, the UK's largest life insurer, resigned abruptly yesterday, as the company disclosed that the Stock Exchange was investigating his dealings in Prudential shares.

Mr Newmarch, 56, who made a £203,000 profit from controversial share dealings last October, cited a worsening relationship between him and regulators of UK retail financial services as the reason for his resignation.

Following a five-hour hoard meeting yesterday, Prudential issued a statement saying it had "reluctantly" accepted the resignation of Mr Newmarch, who has spent his entire working life, since 1955, at the company and has been chief executive since

Mr Newmarch is due to discuss his share dealings with Stock
Exchange officials today. His to agree." Sir Brian said of Mr

because the Prudential is one of the honourable thing." the leading UK institutional investors, managing roughly profit on October 25 by exercising part in the investigation. "He £70bn (\$111bn) of funds, and Mr options on 208,750 shares in Pruexplicitly removed himself." a Newmarch is one of the insurance industry's most prominent

Sir Brian Corby, the Pru's nonexecutive chairman, will take executive responsibility for the group, and chair the executive committee until a new chief executive can be found. Mr Newmarch is understood to

bave contacted board members over the weekend to let them know he intended to resign.

Sir Brian insisted Mr New-march's resignation reflected the accumulation of years of frustration with the regulatory structure, rather than the ongoing investigation by the Stock Exchange. "He felt enough is enough." Sir Brian

"At the end of the road, we had

dential, and then selling them before the Securities and Investments Board, the City's regulatory watchdog, published a highly critical report on the misselling of personal pensions. The report had been circulated within the industry before publication. Mr Newmarch exercised the

options at a price per share of 198.9p. selling the shares in the market at 29op. Prudential shares rose after publication of the

report.
Prudential defended Mr Newmarch's dealings at the time on the grounds that it was the last day on which he could exercise the options before they expired. However, the Stock Exchange is thought to have questioned why he then sold the shares. The Stock Exchange said ves-

resignation will be controversial Newmarch's decision. "He did rence, its chief executive who used to be the Prudential's join. He attacked it for interfer-Mr Newmarch netted a £203,000 finance director, had played no

spokesman said. Mr Newmarch's share dealings was apparently picked up by Stock Exchange investigators in the "normal course of events", an official said.

Mr Newmarch bas been an outspoken critic of the the Personal investments Authority, the new self-regulatory body for the retail financial services industry. The

in the industry in refusing to ing unduly in the internal affairs

Mr Kelth Bedell Pearce, a director of Prudential and a board member, said Mr Newmarch had the full support of the group's executive directors, both for the stance he took towards the retail financial services regulators and over his share dealings.

Analysts said the resignation was disturbing because of the lack of an obvious successor.

Markets fall sharply as investor confidence is shaken

By Philip Coggan in London and Gerard Baker in Tokyo

World stock markets fett sharply vesterday amid concerns about the effect of the Kobe earthquake on the Japanese economy, wor ries about the Mexican furancial crisis and fears of higher US interest rates.

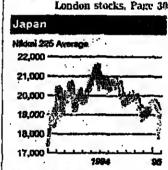
investors, many nursing losses sustained in bond and share markets last year, appeared to be increasingly keen to leave comties for the safety of cash.

"There's a lack of confidence and a reduction in tolerance of risk," saul Mr Muchael Hughes, global strategist at securities house BZW, "People are werrying about things such as the stability of governments and the possibility of another dapanese earthquake. That is a sign of a bear

market mentality." In Tokyo yesterday morning, the Nikkei 225 index fell by 1,054.7 points, or 5.6 per cent, to 17,785.5, dropping below 18,000 for the first time in more than a year. Dealers reported that foreign investors were heavy sellers because of worries about the immediate blow to the Japanese economy of the Kobe earthquake from the loss of output and damage to the region's infrastructure. Traders also leared the fast-rising costs of reconstruction might force Japanese institutions to sell

Continued on Page 16 Mexico to repay loans, Page 4 Tokyo markets count costs of earthquake, Page 6 Lex. Page 16 Bonds, Page 24 Currencies, Page 25

World stocks. Second section



Source: FT Graphite

Microsoft and Sony link to devise superhighway products

By Alan Cane in London and Michiyo Nakamoto in Tokyo

Microsoft, the world's largest computer software company, yesterday announced it will work with Sony of Japan to create products for the developing infor-

It will be the US company's first substantial collaboration with Sony, one of the world's leading consumer electronics companies, and is wider in scope than Microsoft's agreements with other hardware manufacturers. The two companies intend to examine a broad array of products and markets for the superhighway - the term used to describe high capacity telecommunications lines connected with

Mr Bill Gates, Microsoft's chairman, said the alliance was a consequence of the convergence of consumer electronics and computers: "When we sat down to discuss shared goals, it was clear

World Trade News ..

that consumers worldwide could benefit from our co-operative innovations," he said.

ance between Sony and Philips of Holland on the design of the next generation of video compact discs. A rival design from Time Warner and Toshiha has attracted backing from Matsushita and Pioneer. Microsoft is understood to be impressed by the Sony/Philips format, but has not decided which to support. Neither Microsoft nor Sony

would speculate on future products. They said they intended 10 work initially on the hardware and software necessary to deliver video entertainment which viewers can control. Microsoft bas already developed a system capable of transitting video pictures along telephone lines.

An immediate task will be to develop electronics which can be incorporated in a television set to receive and decode the picture CONTENTS AND THE STATE OF THE ST

and allow the viewer to send instructions and messages hack to the central computer. A Sony spokesman said the collaboration might lead to a commercial interactive video system hy next year

deal and no money has changed hands. Sony researchers, led by Mr Junichi Kodera, a senior managing director in the company, are moving into Microsoft's Redmond research centre in Washington state.

absent multimedia strategy.

mation superhighway.

the home and office.

One possibility is that Microsoft will support the recent alliat the earliest.

This has not proved an easy alliance to forge. The two compa-nies began talking last July and have spent the past six months defining areas where they could work profitably together. No value has been put on the

Observers said the alliance gives Microsoft a chance to catch up in the area of interactive video, where it has lagged behind Oracle in software and Hewlett Packard in hardware. It gives Sony the basis for a previously

Shere information ____25.27

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FT Actuaries _____ _ 30

Foreign Euchanges . . _ 25

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reopens roads

Western criticism of fighting in Chechnya grows more strident

Rouble plunges to record low

By Chrystia Freeland in Moscow

Russian economic reforms and the country's chancas of aid from the west were again in danger yesterday as financial markets pushed the rouble to a new low and western leaders stepped up their criticism of

the war in Chechnya. The continued collapse of the rouble and increasingly sharp western attacks on the fighting come at a time when the Russian government is trying to persuade the International Monetary Fund to extend a

\$6.25bn standby loan. However, both western economists in Moscow and Russian currency traders yesterday registered their growing scepticism about the government's commitment to the austerity programme it unveiled in the

The markets delivered their verdict hy pushing the rouble to an all-time low of 3,969 against the dollar yesterday. Traders, who said the war in Chechnya and inflationary expectations were driving investors into the safe haven of hard currency, predicted that the rouble would fall below 4.000 by the end of the week. Senior western officials, led

by the Germans, also intensi-fied pressure on the Kremlin to

onomic reform in Russia.

moment then investment, and

of course economic support as well, will he automatically withheld," Mr Kinkel said. His

comments were echoed by Mr Günter Rexrodt, the German economics minister, who

warned yesterday that Russia risked "gambling away" west

ern aid and investment if it

continued to pursue the war in

Intensified western criticism

of Russia's political course

Chechnya.

writes Lionel Barber in Brussels.

reflected a consensus within the Union to avoid taking any steps which could undermine President Boris Yeltsin or weaken the forces of Ministers avoided any decision to delay the

signature of an interim partnership and co-operation agreement which provides for trade benefits and closer political ties between the EU and Russia.

European Union foreign ministers yesterday

rights" in Chechnya, but steered clear of

Diplomats said the measured language

condemned the "serious violations of buman

threats of economic sanctions against Russia,

change its political and eco-nomic course. Mr Klaus Kincoincided with renewed efforts by the Russian Finance Ministry to push the 1995 budget kel, the German foreign ministhrough parliament, in a dehate scheduled for tomorter, warned yesterday that the Chechen misadventure could deprive Russia of western row, and persuade the IMF to extend a standby loan. But, ment.
"If things continue in Chechdespite Russia's stepped-up rhetorical campaign, western economists in Moscow nya as thay appear at tha

> about the government's com-mitment to macro-economic Mr Sergei Aleksashenko, deputy minister of finance and one of the few remaining reformers in the cabinet, said yesterday that the IMF must relax its technical requirements and extend aid to Russia because otherwise "fascists and communists" would take control of the government.

remained sceptical yesterday

Mr Vladimir Panskov, the finance minister, went even further, predicting that parliament would pass the draft hud-get tomorrow. If the hudget were passed, "there is an agreement with the IMF that

A statement issued last night in Brussels

the opening of negotiations on a political

aid convoys to the stricken population.

rebels in the breakaway republic.

solution to the conflict between Russia and

called for an immediate end to the fighting and

Ministers also demanded freedom of access to

Chechnya in order to guarantee bumanitarian

The EU is hoping that Russia's agreement to

allow a delegation from the Organisation for

Security and Co-operation in Europe (formerly

the CSCE) could open the way for the OSCE to

play a role in resolving the crisis, leading to

free and fair elections in Chechnya.

Russia will receive the loan". However, officials from western financial institutions cast doubt on his comments. "If I had to make a bet," one official said, echoing the views of sevviewed yesterday. "I would say the budget will not be passed." Western officials also insisted that, notwithstanding Mr Panskov's claim, ratification of the budget by parliament would not guarantee that Russia would receive the IMF loan. According to the IMF, negoti-

ations with Russia are being

hampered not only by the mounting costs of the Chechen war and pressure from various lobbies, such as farmers and the military, to increase expenditure, but also hy the perception that the government in Moscow is not wholeheartedly committed to economic reform.

"It is one thing if you have a reformist government willing to spread the pain of an austerity hudget equitably among the population," one Western econ-omist said, "but that does not seem to be the case in Russia."

Economists are particularly troubled by the government's preferential treatment of the oil and gas sector, the coun-try's most prosperous industry and one with powerful allies within the cabinet.

Examples of the oil and gas sector's favoured status include a decision in December to set the tax on gas exports at Ecu2 (\$2.50) per 1,000 cubic metres, rather than the Ecu5 recommended by the IMF.

This decision alone, econo mists say, deprived the cashstrapped treasury of \$600m in revenues. Another unresolved issue is the decree to liberalise oil exports, which western economists say could be made meaningless by as yet unresolved details of its implemen-

Moscow ready for long fight to pacify Grozny

The leader of Chechnya's Moscow-approved governmentin-waiting yesterday predicted that it would take 6 to 18 more months to pacify the republic's separatist forces.

Mr Salembek Hajiev, 54, who will be prime minister once Moscow installs a new government in breakaway Chechnya, said be hoped to establish an office in the Russian-controlled part of the capital, Grozny, in the next week to 10 days.

After that, however, Russian forces would continue to battle against determined separatist forces loyal to Chechen president Dzhokhar Dndayev, who

idea that the more bombing that takes place, the more damage that is done, the more embittered people will join the fighting," sald Mr Hajiev, Interviewed in his office in Znamenskoye, 40 miles

north-west of Grozny. Mr Hajiev heads a self-proclaimed "interim government" that Moscow has anointed to replace Mr Dudayev. Russian forces have been attempting to crusb Mr Dudayev's separatist movement since December 11, when they deployed in the Moslem republic.

It appeared, bowever, that even Mr Hajiev and his pro-Russian colleagues fear they will be seen as quislings once they achieve power.

came to power behind Russian Mr Dudayev as well.



A Checheo woman cowers with other refugees in a truck evacuating them from Bamut, near Grozny, which came under attack from Russian aircraft on Sunday

his key colleague, Mr Umar Avturkhanov, who heads the interim government legislative

Russia's interference here hat path, Chechnya wili also be ernment leaders.

Mr Hajiev said his interim we also saw there was no government planned to bring other way ont." Mr Hajiev murder charges against Mr government planned to bring have fought the Russian army When asked how he would arm, and Mr Dudayev. Mr said. "If we manage to pre- Dudayev, among other cases to a standstill after three answer accusations that he Avturkhanov himself blames serve Russia on a democratic against current Checheu gov-

Nato warned over eastward expansion

By Judy Dempsey in Berlin

A senior Russian official, in one of the strongest criticisms so far of Nato's plans for closer co-operation with eastern Europe, yesterday warned the organisation not to expand eastwards. If it did, "Russia might not yield," he

At the same time, Mr Sergei Karaganov, a member of President Boris Yeltsin's presidential council, a consultative body of experts, and deputy director of the European Institute of the Russian Academy of Sciences, said it was in the interests of Russia to have a 1,500km semi-militarised zone hetween Nato and the Russian federation.

That zone, he added, would include the countries of eastern Europe, particularly Poland, even though Warsaw is currently pressing for much closer co-operation with Nato and eventual

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Mr Krzysztof Skubiszewski, the former Polish foreign minister, immediately challenged Mr Karaganov, arguing that Poland would not be part of a "grey zone", or cordon sanitaire which had existed since 1945 until the collapse of the communist system in 1989-1990. Mr Karaganov was speaking at a

security policy conference organised by the German defence ministry in Berlin. His critical views on Nato's plans to expand eastwards gradually has rekindled the debate about Nato's own relationship with Russia, and Russia's long-term strategic interests at a time when the west is trying to come to terms with Moscow's crackdown of the

breakaway republic of Chechnya. Although Nato has repeatedly said it

membership of the western military Mr Karaganov said its western partners would yield. The liberal westerners in should try "and stop persuading us that Nato's expansion is in Russia's inter-

> Mr Karaganov, considered to represent the views of the liberal elite in Moscow, said Russia had no intention of threatening eastern Europe. "Our interest is keeping our neighbours in central Europe psychologically comfortable. We are interested in their stability. But we believe that those kinds of needs could he speeded up hy the expansion of the European Union, and not by Nato expansion.

But in a warning to Nato, Mr Karaganov said "we are not interested in militarising our relationship with the west, if our borders come close [to Nato]. The reaction could be much stronger and we don't want those kinds of things to would not close off the possibility of come back". He added that if Neto is including Russia in the organisation, expanded, "I do not know if Russia with the alliance.

Russia would be undermined".

His views surprised his audience of senior German military officials and defence officials and experts from the US, Britain, France, eastern Europe and Scandinavia who argued yesterday that it was not in the interests of the west to

isolate Russia, especially now. "We have to adopt a different strategy from the stereotypes of the cold war," said Mr Skubiszewski, an ardent supporter of Nato offering a security blanket for eastern Europe. But the grey zone is unacceptable." he added.

East European officials said yesterday Mr Karaganov's views only confirm the sense of urgency for these countries moving closer to Nato. But western officials said Russia did not have the right of veto over any country seeking closer co-operation or eventual membership

Talks on this year's wage award set to assume secondary role

German unions focus on new jobs

By Christopher Parkes

ners and a new deal on job

Although traditional events

such as walk-out warning

strikes cannot be ruled out as

the routine pay talks continue.

shorter-term considerations

such as this year's wage award

will assume a secondary role.

Despite some rearguard blus-

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engineering and metalworking union declared himself firmly against weekend work - the DGB's declaration was a timely intervention in a deadlocked

discussion.
The unions can now turn up at talks on how to repair structural weakness in the German labour market - due tomorrow under the chairmanship of Chancellor Helmut Kohl - and justifiably claim to be adopting

a constructive attitude. On the other hand, the DGB could be said to be bowing to the inevitable: merely formalising the lifting of pay and conditions taboos which have already been fatally under-

Volkswagen has been operat-ing a so-called four-day week (with matching pay cuts) in its German works for almost a year with the blessing and co-operation of IG Metall Implementation has been

28,000 workers are working

flexi-time in a "corridor" between 35 and 40 bours a messy and muddled, and the long-term merits of the project are still in doubt, but the fact week instead of the regular remains that most of the 30,000 37.5 hours. tering yesterday from Mr workers designated as surplus

The jury is also still out on a national "employment promotion" initiativa dating from last year's pay and conditions settlement in the chemicals industry. Results have been muddied by the continuing run-down of the sector's workforce, which was reduced by 5 per cent last year and was warned last week that a further 30,000 jobs may go this

Nonetheless, negotiated cuts in starting pay enabled the industry to find jobs for 95 per cent of apprentices completing their training, and 1,000 long-term unemployed people found their way back into the workforce through a similar deal under which they were paid 90 per cent of the basic rate, according to the chemiforeseeable future. cals industry employers' association. Meanwhile, around

This year's key pay talks are world to believe.

Klaus Zwickel - the head of to VW's needs a year ago are now well under way. In routine the heavyweight IG Metall still employed at the vehicles fashion, metal, chemicals and other unions have tabled their claims (in general for 6 per cent), and have yet to receive an offer. The first threats of warning strikes have already been issued by IG Metall officials in Lower Saxony, agitating for action as soon as the statutory cooling-off period expires next weekend.

But the most significant "industrial action" in the coming days will be the secret enterprise among the representatives of employers, uniona and government meeting in the chancellor's office. There is already a consensus that while the catastrophic job cuts occasioned by recession are past, competitive pressure and structural change within industry will continue to bloat the unemployment register for the

In the light of last weekend's events, there now seems to be reason to hope that consensus on ways of responding to the problems are closer than some including IG Metall's gruff Mr Zwickel - would like the

course to win key vote in assembly By Robert Graham in Rome

Dini on

ltaly's new prime minister, Mr Lamberto Dini, yesterday looked set to win a confidence vote in parliament with the abstention of the right-wing coalition of former premier Sil-vio Berlusconi and his allies.

The move to abstain in the vote tomorrow was hinted at by Mr Berlusconi in his initial reaction to Mr Dini's exposé of the action programme of his emergency government, composed exclusively of non-politi-

"An abstention would allow the government to operate and would give us the opportunity to vote on a case-by-case basis," Mr Berlusconi told state television after the opening of the confidence debate in the chamber.

It was the clearest indication so far that Mr Berlusconi had been forced to backtrack on his objections to Mr Dini serving in more than the hriefest of administrations leading Italy

to fresh general elections. Mr Dini's programme was centred on four priorities: improving public finances, pension reform, new regional elec-toral laws, and a temporary regime controlling media use during elections.

He refused to set a specific timetable, as demanded by Mr Berlusconi and his allies. However, he said: "To dissipate any doubts or misunderstandings, this government will consider its mandate finished once it has carried out the four priorities, assumed as the essential part of its programme." Mr Dini also added the threat of resignation if he found his task

The 63 year-old former director-general of the Bank of Italy said he believed it was possible to introduce new electoral laws for the regions by the end of Fehruary (to allow for spring local polls) as well as new, albeit temporary, rules on the use of the media.

These were his most immediate priorities, he said. But this appeared mainly an attempt to offer an olive branch to his former colleagues in the rightwing coalition. He added it was equally vital

to introduce a corrective minibudget - probably of around L15,000bn (\$9.2m) - and carry out reform of the deficit-ridden state pensions system.

Significantly, Mr Dini's speech opening the confidence debate was divided into two

main parts. The first centred on a broad outline of policy guidelines into which his priorities were set, while the latter part dealt with his principal objectives. He spoke in some detail about all the key issues facing any government including restoration of ethics in public life, improvement of the judicial

Mr Dini also was careful to address the financial markets. promising to restore a measure of stability in government policy in the hope of allowing the lira to strengthen. He said he would commit his administration to leading Italy back into the European exchange rate mechanism as part of its belief in the EU and the move towards eventual political union.

On privatisation, Mr Dini said he would continue the Berlusconi government's policy but would speed the sale of the state's remaining interests in hanking institutions. This he regarded as an important signal for liberalising Italy's financial markets.

His insistence on a broad programme caused some perplexity among the Berlusconi camp.

It was interpreted as a sign

that Mr Dini, despite promises of a sbort-term administration, could last longer than expec-

Mr Dini also refrained from any mention of early elections - the main platform of Mr Berlusconi and his allies. In general the speech was

astutely balanced with something for everyone, including the Northern League, to whom he offered more regional control over fiscal matters. His policy proposals would be hard for Mr Berlusconi and his allies to oppose without their opposition back-firing. Earlier in the day Mr Dini

announced the list of his 34 junior ministers, all non-politicians. This is the first time since the second world war that an Italian government has been entirely composed of people drawn from outside parliament. The 1993-94 Ciampi government was headed by a former governor of the Bank of Italy and contained a large number of technocrats but the junior ministers were all politi-

EUROPEAN NEWS DIGEST Sarajevo



Lt Gen Sir Michaellus (left) ended his year ling assign-ment as commander of UN forces in Bosnie yesterday by announcing the reopening of supply routes in and out of Sarajevo at the end of the month Meanwhile, officials of the five nation contact group were due in Sarajevo for talks aimed at a wider set tlement before travelling to Pale later in the week. The agreement on reopening the "Blue Routes" covered all international aid organisa-tions as well as a number of

Bosman humanitarian groups and civilian traffic. Sarajevans will once again be able to cross the city's airport to reach government-held territory in central Bosnia, while Serb civilians will be able to cross from

one Serb-held suburb to another. Resolving the issue of Blue Routes is seen as a key of nent of the four-month ceasefire agreed on New Year's Day, although yesterday's deal does no more than restore the terms of an earlier agreement, brokered by the UN last spring, which broke down in July. The new deal was struck after long talks at Sarajevo airport between the Bosnian government's official in charge of relations with the UN, Mr Hasan Muratovic, and the speaker of the self-styled Bosnian Serb parliament, Mr Mouncilo Krajisnik. Before leaving Sarajevo Gen Rose said it would be up to his successor. Lt Gen Bupert Smith, another Briton, to maintain the momentum until the two sides returned to direct negotiations. Paul Adams, Belgrade.

Bulgarian cabinet nominated

The Bulgarian Socialist party, the victor in December's general elections, has named a cabinet to be approved tomorrow by parliament, where it holds a majority. The new government will be headed by Mr. Zhan Videnov, a 35-year-old, Moscow-educated economist, who has led the BSP, the re-named Com-munist party, since 1991. The cabinet is dominated by former senior communist officials but includes technocrats in some key posts. Mr Dimitar Kostov, a former deputy finance minister and experienced technocrat, is set to become finance minis-ter, while Mr Georgi Pirinski, a charismatic economist from the reformist wing of the BSP, has been nominated foreign minister. However, diplomats and analysts in Sofia said it remained to be seen whether generally young, pro-reform technocrats would have much political clout in a cabinet dominated by older and more hardline members of the BSP. Virginia Marsh, Budapest

Britons work longest EU hours Britons work a longer week than any of their EU partners, in the only member state where the working week has length-ened in 10 years. UK workers put in a total of 43.4 hours a week, compared with an EU average of 40.3 hours. The coun-try with the shortest week is Belgium, where employees work 38.2 hours. The figures, published yesterday by the Union's statistical office, Eurostat, show that the working week has shortened in most EU countries since the early 1980s, other than in the UK where it has lengthened by over an hour since 1983. Apart from the UK, the working week exceeds 40 hours only in Portugal - which has the second longest week - Ireland, Greece and Spain. Demmark and the Netherlands have had the biggest reductions - 1.7 and 1.6 hours respectively. Belgium, France and Italy, which all had working weeks below 40 hours in the early 1980s, have remained below that thresh-

old, while Denmark, Germany, Luxembourg and the Netherlands have all dropped below. Emma Tucker, Brussels

Swiss to redraft money law

The Swiss government will rewrite a draft law against money laundering after the first version was rejected by bankers and conservative politicians as too strict, the Finance Ministry said yesterday. A ministry working party should complete the new draft this year. Switzerland, under international pressure to crack down on the flow of organised crime profits, last year curtailed the country's bank secrecy for the first time, with a law allowing banks to report suspicious customers to police. But the draft law would have gone further by requiring bankers, asset managers and lawyers to call police if they suspected money was coming from the drugs trade or other Maña-style crime. The first version of the law was circulated to banks, professional organisations and political parties for their comments. Many said the law was too sweeping in demanding banks and other financial bodies make sure of customers' identities and report suspicious deals. Reuter,

Teleworking call to Europe

Europe must act with a greater sense of urgency if it is to become a true "information society", Mr Lucio Stanca, chief executive of IBM's European operations warned yesterday. "Technology and globalisation are transforming the way we live and work," said Mr Stanca at a conference in Brussels on teleworking – working from home using a personal computer connected by telephone to the office. "Europe must rise to the challenge, or risk falling behind the US and the Asia Pacific region," he said. In particular Mr Stanca called for changes in region. He said in particular Mr Stanca called for changes in the regulatory environment in Europe to increase competition, lower telecommunications costs and give consumers confidence that individual privacy will be protected. He said labour laws should also be changed to allow for new and more flexible methods of work such as teleworking, and he called for changes in attitudes to ansure that Europe does not become a two-tier society where only part of the population has access to new technology. Paul Taylor, London

ECONOMIC WATCH

EU industrial output up 5.2%

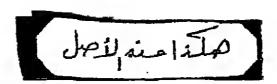
European Union industrial output, annual % change 1965 96 87 88 80 90 91 92 93 94 95 than the EU average, Indus-

Industrial output in the European Union rose hy 5.2 per cent last year, according to statistics released vester day by Eurostat. This follows a fall of 3.2 per cent in 1993. Output rose in all 12 EU states covered by the survey but growth was uneven. Industrial production was up 11.2 per cent in Ireland, 10.8 per cent in Denmark, 7.5 per cent in Luxembourg and 7 per cent in Spain. Italy, up 6.1 per cent, and the UK, up 5.3 per cent, also performed better trial output in Germany and France increased less than

the average, however, rising 3.5 per cent and 3.2 per cent respectively. Growth was weakest in Portugal, Greece and the Netherlands: 0.3 per cent, 1.6 per cent and 2.3 per cent respectively. The overall figure of 5.2 per cent compares with 5.4 per cent in the US last year. Japanese output rose by 0.1 per cent over the same period. Foreign Staff

■ Sweden's current account in November showed a surplus of SKr900m (£76m), compared to SKr2.0bn the month before and a SKr2.3bn deficit in November 1993.

■ Portuguese unemployment rose to 7.1 per cent in the fourth quarter of 1994 from 6.8 per cent in the third quarter, and from 6.2 per cent in the fourth quarter of 1993.



NEWS: EUROPE

Denmark resists British claim on oilfield

Copenhagen and Robert Corzine in London

Denmark will not be bullied hy "the British liou" into giving np oil and gas exploration rights in a disputed area of the North Atlantic between the Shetland Island and the Farces, Mr Poul Nyrup Rasmusseu, the Danish prime minister, has warned. "We shall stand firm"

against the British demands, he said in a pre-dinner speech at the annual dinner of the Foreign Press Association in penhagen. "We are fully wild the Faroe Islands on as and will not give in," he

The tough talk came as a surprise to diplomats involved in the negotiations hetween Denmark and the Faroe Islands, a mainly self-governing Danish province, and the British government.

Mr Anthony Layden, deputy head of mission at the British embassy in Copenhagen, said: "Negotiations are taking place nn this issue at meetings hetween legal and other experts. Progress in heing made. The British government aims to reach a negotiated set-tlement," he added.

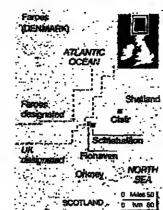
It is understood that the two sides have expressed willingness to be flexible in the negotiations. But Mr Nyrup Ras-mussen was not optimistic.

He told the Financial Times that he thinks there is a strong chance that the issue will have to he resolved through the International Court of Justice in The Hague.

The potential importance of the area to both Britain and the Faroe Islands, which have a population of about 43,000. has been highlighted by recent discoveries in the area west of the Shetland Islands.

British Petroleum, for example, discovered the Folnhaven and Schiehallion oil fields about 11 miles from the present houndary hetween the British and Faroes' economic

The Foinaven field has already heen given the go-ahead for the first phase of its development. Other recent discoveries have caused excitenatural gas.



ment among government min-isters and oil companies operating in the UK. Late last year the British government asked oil companies with exploration acreage in the area to accelerate seismic and drilling pro-grammes this year to determine the extent of the possible reserves. Some estimates sug-

gest there may be as many 3.5bn barrels of mil in place. Natwest Wood Mackenzie, Consultants in Edinhurgh, recently warned, however, that failure to reach agreement on the demarcation of the UK and Faroese sectors could delay the drilling of wells close to international

Britain and the Faroes have each agreed on fishing boundaries, which each claims are equi-distant from the respective coastlines.

However, agreement on subsea mineral resources remains

Britain argues that the median line drawn up by the Faroe Islands does not take proper account of uninhabited islands off the coast of Scotland. It wants the median line to run cluser to the Faroe

The UK finds support for this argument in the 1993 judgment by the Hague International Court concerning the line of division between Greenland (which is also a Danish possession) and Jan Mayen, which is Norwegian.

When negotiations on the boundary began in 1991, Mr Uffe Ellemann-Jensen, the then Danish foreign minister, declared the British claim to be totally unacceptable, saying that the boundary claimed by Britain goes so close to the southern-most of the Faroe Islands that the Faroese would be able to spit into British

eries, which collapsed at the beginning of this decade, caus-ing an extremely serious eco-The islanders are now pin-ning their hopes on oil and

The Faroe Islands are entirely dependent on fish-

Swiss seek

Frosty Brussels sits down again with coy Berne, writes Ian Rodger

Swiss and European Union diplomats began bilateral talks last week on a series of sensitive economic and political issues, especially the freedom of movement of people. But, as so often in the past, the higgest concern is the willingness of the Swiss people to endorse any agreements

in recent years, the Swiss have rejected their government's proposals to join the United Nations and the Euro-pean Economic Area (EEA) and to supply UN peacekeeping

The prospects for an EU-Swiss rapprochement this time look so uncertain that Swissair, the airline whose access to EU markets is another of the main issues, is trying to solve its problem independently through buying a stake in an EU-based airline, Belgium's Sabena.

The talks became necessary after the Swiss rejected the EEA two years ago. in the aftermath of that referendum, Switzerland found itself facing growing discrimination throughout western Europe.

For example, Swiss researchers were removed from EU project steering committees and Swiss companies were obliged to pitch their bids 3 per cent lower than EEA competitors for EEA public sector contracts - and the goods had to have at least 50 per cent EEA

The Swiss government set out to negotiate better arrangements bilaterally with the EU. but Brussels reacted frostily, Switzerland could not hope to win hilaterally the same advantages it would have achieved through the EEA.

Last month, the Commission finally agreed to discuss three of 16 issues raised by the Swiss - research, technical trade barriers and public sector procurement - and added two of its own, agriculture and the free movement of people.

The start of talks on the

most important sector for the Swiss, transport, was post-poned until March. This was punishment for the result of yet another Swiss referendum last Fehruary when a majority voted to han all transit lorries from the Alps, starting in 2004.

The embarrassed Swiss government proposed measures to make sure the effect would not be to discriminate against EU truckers or divert trans-alpine traffic to Austria and France. But it took some time to convince the EU's transport council that they would work.

As it happens, the transport issues should be among the easiest to settle as each side has clear goals. The EU wants efficient and cost-effective transit routes through the Alps, and the Swiss have on their own initiative faunched a multi-billion-dollar project to

The biggest concern facing negotiators is the willingness of the Swiss people to endorse any agreements

huild two high-speed rail tun-nels through their mountains. On research, it looks as if Switzerland will have to contribute more money to EU projects to regain seats on steering committees for its researchers.

The Swiss do not expect much fuss over mutual recognition of product testing and other technical trade issues, or over public procurement. And they indicate a readiness to open their tightly protected

The toughest issue will be freedom of movement of people. The EU is basically demanding the extension of its internal regime to Switzerland, thus enabling nationals of both sides to live, study and work in the other's territory without hindrance.

The prospect of even more foreigners entering Switzerland - about a fifth of residents are non-Swiss - was one of the main reasons a majority voted against the EEA two years ago. And Mr Christoph Blocher, the populist anti-EU politician, has put Berne on notice that he will demand a referendum if it concedes too much in the bilateral talks.

Paris students score victory with peaceful re-run of 1968

By Andrew Jack in Paris

he issue may be more self-serving and the symbolism more commercial, but the strike last week by students at "Science Po", the prestigious political science college in Paris, shows that the tactics at least of 1968 linger on with powerful effect.

The Institut des Etudes Politi-ques experienced the most potent and effective direct action since the uprising of May 1968 when students went on strike last Monday. This time the protests were shorter and non-violent, but probably more effective as college administrators went into retreat on controversial new funding policies. The protest was against a threat to intro-duce loans in place of bursaries for those from lower-income

Their demonstration revealed much about the continuing tensions between students and academics in France, as well as about the hroader difficulties in the funding of further education within the

country.
In 1968 students at Science
Po showed their solidarity with others during the insurrection gripping France. They took to the streets and boycotted their classes as calls for social reform took the place of con-cern about education. They occupied the college's main lec-ture theatre and renamed it in honour of the heroes of the era: Che Guevara and Rosa Luxembourg, the socialist revolutionary murdered in Berlin in 1919.

This time around, a campaign begun in December reached a climax last week, with an occupation of the same lecture theatre for four days and three nights.

Respecting the tradition of their forebears, the students renamed the ball. But reflecting their immersion in the media culture of the 1990s. the new name was Farinelli, a reference to a castrated 18th century Italian singer who is the subject of a recently released film. Their point was that while Farinelli was deprived of anatumical attri-



Students of the 1990s can make peaceful protest count by alluding to violent unrest of earlier years

butes at an early age, the pro-posed plan by the college administration would snip away at the financial aid long considered a right by students. Partly in an effort to deal

with an accumulated financial deficit of FFr3.8m (\$730m) hanging over from 1993, Science Po proposed to replace the grants it provides to students on low incomes with interest-free loans repayable once students hegan their working life. Science Po enjoys a peculiar

legal status, but broadly fits within the state education system, with 70 per cent of its funding coming from government. It charges a nominal annual tuition fee to students of FFr5,000, offset for some hy means-tested bursaries.

In practice, about a quarter of the 4,000 students at the college do not pay the fee on financial grounds, or for reasons such as the fact that one of their parents teaches at the institution. About 180 of the students receive government

Science Po's funds other grants from its own resources. It was these grants - regarded as a sacred right by the students - that the administrators wanted to replace with loans. The Science Po dispute

seema far removed from the circumstances of many other students in France. For those at the private universities including the prestigious the school of Hautes Etudes Commerciales in Paris - the annual fees can run to FFr50.000 or more.

With no nationwide or statesupported system of loans. many have had to rely on special packages put together by individual banks keen to lure students who are likely to he high income-earners and therefore profitable clients in the

Those students above the threshold for state grants receive no financial help from the government. They have no grant for accommodation or food, for example, and there is little housing maintained by the colleges. As a result, many study in their home town and live with their families. Nevertheless, protests by some 1,000 sufficient to cause the administration to cave in.

"I have the right to call in the police, but it is not part of the ethic of the university," said Mr Alain Lancelot, a professor of political hehaviour who is the director of the college. He said that the substantial

weight of student opinion and the strength of their argumeuts were enough to persuade him to agree to cancel the loans proposal and set up a committee to report by June on a longer-term solution to overhaul the college's grant

More broadly, the Associa-lion of French Bankers is working on proposals to be submitted to the government that would provide tax incentives and low interest races for those saving for educational

in the meantime, the revival of even the most peaceful tactics used in 1968 seems to have heen enough to counter the commercial revolution of the

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Chance for Clinton to revive presidency

Just about every cliché in the book is being applied in advance to President Bill Clin-ton's state of the union message, due tonight. On this occa-sion, most of them are appropriate, including the view thet it may be the most impor-tant speech he has ever given.

His task appears to be nothing less than to redefine and reinvigorate his presidency and, if possible, his Democratic party, while giving the US a persuasive alternative vision to the conservative doctrines on offer from tha Republican majority in Congress. White House officials claim

that the president is very much "up" for the moment, in contrast to the passivity which seemed to engulf him last November after the Republican landslide in the Congressional elections. But they concede that be must make the most of his platform tonight.

Mr Clinton has been consulting a remarkable cross-section of opinion, including historians and scholars and more controversially, some "self-improvement" gurus better known for the advice they give to aspiring business executives.

His purpose, aides say, is to start "a dialogue with the American people about where the country should be going", a phrase Mr Clinton himself used at the weekend in a speecb to the Democratic national committee.

There is risk in this

approach. President Jimmy Carter's notorious television address in mid-summer 1979. when he lamented the spiritual "malaise" afflicting the country, is now generally seen as marking the start of his political slide. Mr Clinton has talked reflec-

tively of late in a similar vein. But his voracious reading of history should lead him away from the sort of introspection considered inappropriate for a the state of the union message. Instead, be is likely to emphasise that, whatever its exces and faults, government etill has a large role to play in shaping the country's future, so long as it complemented by more active public participa-tion in civic life.

While expected to eschew a "laundry list" of proposals, he may use the occasion to warn that he would veto congressional attempts to undo legislation he considers important. Among the sacrosanct he

vice corps, recently condemned Mr Newt Gingrich, Speaker of the House of Representatives, as enforced volunteerism, and the ban on assault weapons in the crime bill of last year which some conservative Republicans want to

The president cannot veto constitutional amendments, of which that on the balanced budget is closest to action by Congress. But Mr Clinton may highlight the importance of progressive deficit reduction.

On foreign policy, be is likely to state his opposition to Senator Robert Dole's bill to lift unilaterally the Bosnian arms embargo on May 1. Other proposals from the Senate majority leader, which would eviscerate US participation in UN peacekeeping, may also come under fire.

But mostly Mr Clinton will need to reclaim his "bully pulpit" seat at the policy table that the new and aggressive Republican majority has often seemed to want to deny him. The president will doubtless promise co-operation where the potential for agreement exists but will also need, as the cliché

runs, to draw some lines in the

An American dynasty thriving yet

Jurek Martin marks the death of Rose Kennedy with an assessment of the clan

merican political his-tory is scattered with A tory is scattered with dynastic families. Some hava enjoyed national power – Adams, Rockefeller, Roosevelt; some have held sway over local bases, like the Fisbes of New York, the Browns of California, the Dal-eys and Stevensons of Illinois. But the death on Sunday, at the age of 104, of Rose Kenn-edy, the family matriarch, serves to remind thet, in the second half of the 20th century, no name has been more associ-ated with US public life and the cause of liberalism than that of Kennedy.

A devout Roman Catholic, Rose bore nine children, four sons and five daughters. They gave her 30 grandchildren, 28 of whom are still alive, and 41 great-grandchildren.

Her eldest son, Joe Jr, was killed in the second world war. but the other three - John, Robert and Edward - all served in the US Senate. All ran for the presidency and JFK was elected to that office in 1960. Robert might well have won in 1968 but was assassi-nated on the night of his victory in the Democratic party's California primary. Edward has represented Massachusetts in the Senate since 1962. One deughter, Rosemary,

was retarded and lives in sechusion. Kathleen, the eldest, was



killed in a European air crash in 1948. But Rose's other three have all been in the public eye: Eunice married Sargent Shriver, the Democratic vicepresidential candidate in 1972; Jean Kennedy Smith is US

amhassador in Dublin; Patricia married Peter Lawford, the Hollywood actor. The succeeding generations have not let the torch drop. Joseph Kennedy, son of Robert. has been a congressman from Massachusetts since 1986, and Patrick, son of Edward, was elected to the House of Representatives from Rhode Island last November. The three Kennedys now in Congress set

a record for single family representation to equal that of the Washburns (of Maine, Illinois and Wisconsin) in the 1850s. Kathleen Kennedy Town-send, daughter of Robert, was

last week inaugurated as lieutenant-governor of Maryland. Mark Shriver, son of Eunice, was elected in November to the Maryland house of delegates. Barney Frank, a congress-man from Massachusetts and a

family friend, wittily told the New York Times last year: "I suppose they aren't too overly represented in politics, in purely statistical terms."

There is little doubt that the impulse into public life derived

from Rose's husband, Joe Kennedy Sr. first head of the Securities and Exchange Commission under President Franklin Roosevelt and later a controversial ambassador in London in the early war years when he was suspected of pro-Nazi sympathies. His hopes had been heavily vested in the oldest son. Joe, and were then re-directed to the three surviv-

Rose Kennedy herself was born into public service, in 1890, as the daughter of John Francis Fitzgerald, the legendary Boston-Irish politician known as "Honey Fitz". He never liked Joe Kennedy, a son

ing sons.

of a saloonkeeper, but Rose said she would marry him with or without parental approval. Her role as a political matriarch was always discreet, but her offspring have repeatedly said that she was the glue that held them all together. A

recently published family memoir paid tribute to "the finest teacher we ever had". Her devout Catholic faith was imparted to her children. though not always observed by them. Taking more after their father, both John and Edward were notorious for philander ing. Edward's divorce and recent remarriage could not

have pleased ber. The faith also sustained her through tragedies - three sons and a daughter cut off in their prime, two by assassination. More recently, Jacqueline Kennedy Onassis died, one grandchild expired from an apparent narcotics overdos while another, Stephen Smile, was only acquitted of force

rape after a humiliating trial. How much sbe knew of the latest tribulations is unclear, for she was rarely seen in public in her final years. But she had been active in good causes, notably mental health fundraising, when well into her 80s. Her legacy, however, rests with her family's contributions to public life - and there may



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Mexican oil revenues to be used as loan collateral

By Leslie Crawford and Ted Bardacke in Mexico City

Mr Guillermo Ortiz, Mexican finance minister, yesterday told Congress in Mexico City that the country's oil revenues will be used as collateral for any US loan guarantees provided to help Mexico out of its liquidity crisis.

Mr Ortiz faces a storm of nationalist indignation over the growing number of conditions US politicians are seeking in exchange for the \$40bn (£25bn) loan guarantee package being considered.

He tried to reassure parliamentarians that the use of oil revenues did not imply a loss-of national sovereignty: "This

method of payment... does not compromise our national sovereignty, nor does it grant anyone any rights over our oil resources, over Pemex [the national oil company], or our policies regarding oil prices and sales."

The oil guarantees were nec-

essary to let Mexico issue longer-term debt, at lower interest rates, as a substitute for some \$29bn of tesobonos (dollarlinked treasury bills) which mature this year, he said. He reminded Congress that inter-national confidence in Mexico's financial markets would not be restored until the US aid package, the subject of heated con-

gressional-debate in Washing

proposed this month, to the 1995 budget, which aims to cut government spending by 1.3 per cent of GDP as part of an austerity plan to restore investor confidence. However, Mr Ortiz's speech

He urged the Mexican Con-

gress to approve amendments,

included no new measures to address the continuing volatility in Mexico's currency and financial markets. Worries that Mexico might

be putting too much faith in the US package meant that, in Mexico City at midday, the peso was trading at 5.725 to the dollar, down from 5.605 at Friday's close, and the main IPC index-of the Mexican-stock market was down 2.69 per cent.

tina's system point out, the

central bank has taken firm

steps recently to tighten regu-

lations governing NPL provi-

sions, reserve requirements,

'Ailing banks are out'

ton, were forthcoming.

David Pilling assesses Argentina's banking system:

tina's central bank recoils at the suggestion he might authorise a bail-out of struggling banks, some of which have been tipped into difficulties as a result of the Mexican crisis.

"There is no chance of setting up a hospital for banks," Mr Roque Fernández says. "In Argentina, what we have are either healthy banks or the morgue: there are no sick

Rumours circulate, however that as many as 30 banks, hit by tight liquidity and the Mexi-can-provoked fall in the value of their security holdings, may be struggling to meet obliga-

Already three institutions suspended from trading for 30 days, are battling to save them-selves from Mr Fernández's

morgue.
"Witbout doubt there are banks with problems, but how many it is hard to say," says Mr Luis Secco, an analyst at Broda economic consultancy He says Argentina's limited deposits cannot sustain the current network of more than 160 institutions The first banks to suffer

were small wholesale institutions specialising in trading treasury bonds, using inter-bank "call" money. When bonds plummeted and short term interest rates tripled, to nearly 30 per cent, these banks were left highly exposed. Pressure spread to small retail institutions with limited

branch networks, as confidence waned and depositors shifted their accounts to better known banks or removed their cash from the system altogether.

Some analysts believe that Mexican shockwaves will has ten the demise of weak institutions already facing extinction "Everybody knows the bank-ing eector has to contract because there are just too many banks," says Mr Nicolas Grose-Hodge, chief manager at Lloyds Bank Argentina. The Mexican crisis may have acted as a catalyst to speed this pro-

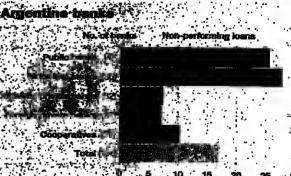
Indeed, the focus of many investors has now shifted from fears of devaluation to concerns over the banking sector. A recent report from JP Mor risk Argentina faces lies in the capacity of its financial system

to withstand a potential outflow of capital." Argentina's banking system.

still emerging from the hyperinflationary days of the late 1980s when "banking wasn't banking as we know it", has been restructuring since economic recovery began in 1991, says Mr Grose-Hodge. Those banks that have not adjusted by cutting costs and developing a firm retail base or a

capital adequacy and risk-weighting of assets. Often these regulations are stricter than international norms. Extrader and Finansur, two of the institutions suspended niche business - will not sur-

earlier this month, were "very special cases", according to Mr Fernández. "When we evaluated the situation of the rest of 图 中国 2000年 1000年 1000年



tral bank in response to what Mr Fernández calls a "transitory liquidity crisis" may finish off some institutions. Last week, the Bank set up a 31bn "liquidity fund" and relaxed reserve requirements. The larger banks have used the cash injected to buy up the portfolios of their smaller,

struggling counterparts.

Although portfolio purcha tend to be small (below \$1m), together they represent a strong shift in favour of the dominant banks. The biggest 20 already-marshal 75 per cent The central bank denies it is

provoking a contraction of the system, but as big institutions buy up the "juicy assets", the likelihood is that some smaller banks will fold under the burden of their weakened portfo-lios. If a small bank is reduced to getting rid of all its best assets then clearly it is on the write-off list," says Mr

Grose-Hodge.
The amount of non-performing loans (NPLs) in Argen-tina'e financial system, although distorted by the "ghasily" portfolios of some public banks, is already high by international standards.

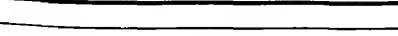
the financial entities, we found that the level of solvency in the whole system was very adequate, in fact over capital-

Mr Grose-Hodge agrees that, given the enormous pressures unleashed by Mexico's crisis. "the Argentine banking system has proved itself to be remarkably resilient." Already interest rates have returned to normal and liquidity has eased.

Mr Secco, while acknowledg-

ing the central bank's "tremen dous efforts" to tighten banking regulations, believes that the system remains vulnerable So far. Mr Secco detects what he calls "an incipient fall in deposits but nothing that has reached crisis levels yet". He says withdrawals may be due to seasonal factors, notably summer vacations. He also says that Argentina's bimonetary system - in which pesos are freely convertible and where half of all bank deposits are dollar-denominated - cuts down the risk of capital flight. Mr Secco says that if confidence remains in the system, then there will be a relatively orderly process" of bank merg-ers and acquisitions. But if this is compounded by high levels of capital flight, the process will be "far more traumatic".

مكذا مند لأحل



PLO vows to act against extremists

By Julian Ozanne in Jerusalem

The Palestine Liberation Organisation, seeking to save the Middle East peace process from collapse, vowed tough action yesterday against Islamic extremists linked with Sunday's suicide bombing which killed 19 Israelis.

But as Israel buried the victims of the bomb blast there were growing calls inside the country for a complete suspension of the peace process and formation of a government of national unity.

Israeli prime minister Yitzhak Rabin, facing collapsing sension inside his government, Islamic extremists and would prepared to make a state of the nation address last night. Israel's index of blue-chip

shares dipped 1.5 per cent yes-terday, the second day of falling share prices, reflecting continuing investor concern about the economic effects from falling bopes of Arab-Israeli peace.

The PLO maintained a stony silence on the government's punitive measures announced late on Sunday which included freezing parts of the negotiations and sealing off the West-Bank and Gaza Strip from Israel. Mr Nabil Shaath, senior PLO negotiator, said the Palestinian self-rule authority would step up the campaign against

not release suspects after two or three days as in the past.

The Islamic Jihad which opposes peace with Israel as a sell-out of Palestinian rights, claimed responsibility for the bombing and said two of its members from PLO-ruled Gaza carried out the attack.

Thousands of Israelis attended funerals which began vesterday to bury the 19 bomb victims and demonstrators kept a vigil at the blast site. Newspapers, even those normally supportive of the peace process, latched on to the unprecedented call by President Ezer Weizman on Sımday

and create a bi-partisan consensus on future policy. The president beld talks throughout yesterday with right-wing opposition politicians seeking the creation of a national unity government. In an editorial, the right-wing Jerusalem Post said President Weizman's call

was "a measure of his sensitiv-

ity to the public mood and the

gravity of the hour". Even among dovish ministers in the cahinet there appeared to be a hardening of the PLO leader. Mr Yossi Beilin, deputy foreign minister and one of the staunchest supporters of the peace agreement. said: "I think our duty is to

that be can't make do with small quantities of treatment [against Palestinian extremists] and that be must do some thing more serious even if that means a strong conflict with

But Mr Shimon Peres, the foreign minister who is the strongest defender of the peace process, said the government should not be swaved by changing moods on a daily basis from its commitment to peace. "There are insane people and extremists who want to destroy everything...We cannot let them prevail."

See feature: Terror takes its

Kazakhs, Russia 'in move to union'

By Chrystia Freeland

Russia and Kazakhstan are moving closer towards the creation of a "Euro-Asian Union", Mr Nursultan Nazarbayev, president of Kazakhstan, said yesterday.

Agreements on military co-operation, a customs union and currency convertibility, reached at a summit meeting in Moscow last week, were a sign of closer integration among some members of the former Soviet Union. "All these are based on my idea for a Euro-Asian Union," Mr Nazarbayev said yesterday.

The agreements between Alma Ata and Moscow, particularly the decision to move towards combining the armed forces of the two countries later this year, are sigos that on Russia's eastern flank re-integrationist tendencies are reasserting themselves.

One crucial player in Mr Nazarbayev's envisioned "Euro-Asian Union" remains sceptical of closer relations with Russia. Ukraine, the secand most populous republic in the former Soviet Union, continnes to oppose Mr Nazarbayev's drive for reunion.

The war in Chechnya, in wbich Moscow alleges Ukraintan nationalist volunteers are fighting alongside the Checbens, has exacerbated diplomatic tensions between the two big Slav states.

By contrast, Kazakhstan and Russia are moving to closer co-operation economically and militarily. Last week, the two former Soviet republics announced a plan, with Oman, to build a new pipeline from the Caspian Sea to Russian ports on the Black Sea.

The deal was a victory for Russia, determined to retain a strong voice in exploiting the oil and gas reserves of the Caspian region, even though much of the territory is no longer ruled from Moscow. It also signalled Kazakbstan's pragmatic realisation that, without significant Russian participa-tion, such projects are unlikely to go ahead. INTERNATIONAL NEWS DIGEST

US-Egypt talks focus on N-arms

Mr Robert Pelletreau, US assistant secretary of state, me President Hosni Mubarak of Egypt yesterday to discuss Middle East peace and ways to ease tension between Egypt and Israel over the Nuclear Non-Proliferation Treaty. Egyptian officials said Mr Pelletreau would try to persuade Egypt to sten the treaty and end a crisis that has soured Cairo's relatious with Israel, Egypt insists it will not sign an extension of the treaty when it comes up in April in Geneva unless Israel, widely believed to possess nuclear warheads, does so, Israel said i would not sign as long as it faces potential danger from Syria iraq and Iran. Mr Mubarak has repeatedly said that signing the treaty without Israel, as Cairo did before, would be "an

unacceptable matter on the popular level". Mr Pelletreau and Mr Mubarak are also expected to discuss the Egyptian leader's forthcoming visit to Washington in the spring during which he would try to rally support in Congress to maintain the annual \$2bn t£1.2bn1 US aid to Carro since it signed a peace treaty with Israel in 1979. Rount. Cairo

Iraq issues new banknote

Iraq, which is grappling with hyper-inflation, is issoing a 250 dinar banknote to ease cash transaction. Official media en Monday published a decree from President Saddam Hussein authorising the central bank to issue the hilt, the highest-de nomination note ever printed in Iraq. It joins the widely used 100 and 25 dinar notes. Before UN sanctions ravaged the Iraqu economy 250 dinars were worth \$500 as the oil-backed cur-rency then fetched \$3.2 at the official rate. The sanctions, unposed for Iraq's 1990 invasion of Kuivait, bar Iraqi exports including oil. After runaway inflation the new 250 banknote is barely worth 50 US cents, Reuter, Bachdad

World airport traffic increases

World airports yesterday reported beeming cargo and clumbing passenger traffic over the first 10 months of 1994 although passengers passing through Asian and African terminals during the year were down on 1993. The Geneva-based Airports Council International (ACI) said October figures showed over all passenger traffic was up 7 per cent and cargo 12 per cent, while aircraft movements climbed by 5 per cent, compared with the same month in 1983. For the period January to the end of October, passenger traffic was up a per cent, cargo volume by 13 per cent and aircraft movements by 3 per cent. based on returns from 377 leading apports.

ACI said Europe saw the highest regional passenger growth in October with an increase of 9 per cent, closely followed by North America, where 7 per cent mure people passed through airports. In the Pacific area, passenger traffic as compared with Octuber 1980 was up six per cent, and in Latin America and the Caribbean by 2 per cent. In contrast, Asia returned a decline of 6.7 per cent and Africa of 4.2 per cent. However, Africa recorded the biggest increase of all six AIC regions in cargo traffic with a climb of 21.3 per cent. Reuter, General

China and Sudan sign accords

Sudan and China have signed agreements to set up five factories in Sudan, the official Sudan News Agency said yesterday, Cost or financial terms were not revealed. The agency said contracts for a textile mill, a drugs plant, a packaging factory and a sportswear enterprise had been signed between Sudanese private companies and Chinese groups as part of a continuing meeting of the Sino-Sudanese Economic Committee. Representatives of 55 Chinese companies are taking part in the joint economic committee. Reuter. Wortours

support for his peace policy in the country and internal dis-

The Unita leader is finding himself isolated, writes Nicholas Shaxson

Angola peace move corners Savimbi

nside a crumbling Roman Catholic courch in Ango-la's central highlands town of Chipipa, the chiefs of staff of Angola's government and rebel Unita forces embraced stiffly

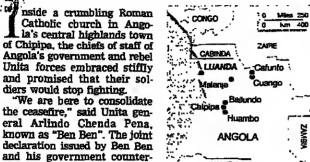
diers would stop fighting.
"We are bere to consolidate the ceasefire," said Unita general Arlindo Chenda Pena, known as "Ben Ben". The joint declaration issued by Ben Ben and his government counterpart, General João de Matos, three weeks ago was the second promise in two months that hostilities in 19 years of civil war would end.

A peace agreement was signed on November 20 in the Zambian capital of Lusaka but United Nations observers have reported isolated fighting in various parts of the country.

has said in newspaper and television interviews and in a speech carried on Unita radio that he has "great reservations" about the Lusaka agreement, describing it as "ephem-

"I am not obliged to follow the wrong path when my con-science tells me that the path

However, be appears to be out of step with the spirit of reconciliation apparent in Chi-pipa and with the activities of a joint government and Unita ion which has started



its plodding work in Luanda preparing the ground for demo-bilisation and the eventual creation of unified Angolan armed

Mr Savimbi has warned that his forces are not prepared to accept demobilisation. The UN could not control the Luanda government which, be said, wanted to kill him and to destroy Unita.

His words bave frightened many Angolans who remember clearly an accord of 1991, the culmination of a wider regional process which linked the departure of 50,000 Cuban troops with the withdrawal of South African forces from, and independence for. Angola's

southern neighbour, Namihia. That collapsed when Mr Savimbi rejected defeat in UNsponsored elections in late 1992 and took his guerrillas back to the bush. His forces beld hidden weapons stockpiles and his clear military superiority at the time enabled him rapidly to capture large swathes of territory from the disproportionately demobilised government

But even then his fortunes were starting to change as old cold war friends adjusted their priorities. South Africa, which in the 1980s intermittently invaded Angola in his support, is now ruled by a traditional ally of the ruling MPLA. The S, which supported Mr Savimbi's war against the then-Marxist Luanda government with an estimated \$250m (£160m) worth of military aid between 1986 and 1991, ended that backing.

After its post-election military defeats, the government patiently began to reorganise and to re-arm, using oil exports worth an estimated \$3.2bn last year, and by mid-1994 it was retaking territory with the help of freshly-trained Angolan counter-insurgency commandos backed up by about 500 foreign mercenaries

Unita's central highlands stronghold of Huambo fell to the government just before the latest ceasefire.

More isolated than ever in his new headquarters in the

small central town of Bailundo,

Mr Savimbi is weak; his power

to influence events has dwin-

dled. "Unita is going through

created," be said in an interview with the French newspaper, Liberation, in December. Should Unita pull out of the process (and in the past year of city sieges and cluster-bombings, the movement's leaders have been offered every excuse to do so), the government

the worst crisis since it was

could retake yet more territory. Priorities would be the strategic air base at the northern town of Negage or more of the diamond-producing area around the town of Cafunio, in the north-east. The government, bowever, knows that despite its military advantage it will never be able to inflict a complete military defeat on Unita. Mr Savimbi's

rilla war from its bush bases, drawing funds from the diamond-rich lands still under its Resurgence of the war after the peace of 1992 reduced total diamond production to about \$200m in 1994, mostly from

movement still has about

50,000 men under arms and

could continue to fight a guer-

areas under Unita control. Mr Savimbi's strategy appears to be to delay the implementation of, but not to overturn, the peace agreement. Sources inside the joint commission speak of "almost no progress' since work started after Lusaka. By delaying the process his troops stay armed but the battle lines remain fro

zen by the ceasefire. The UN has asked for signs of progress before deciding wbetber to expand its mission. which by the end of the month should be at its full strength of 350 military and 126 police observers, to include the 7,000 peacekeeping troops agreed to in Lusaka.

lts special representative in Angola, Mr Alioune Blondin Beye, has been told be needs to report that the ceasefire is bolding before the Security Council, whose next meeting on Angola is on February 8, will approve the expansion.

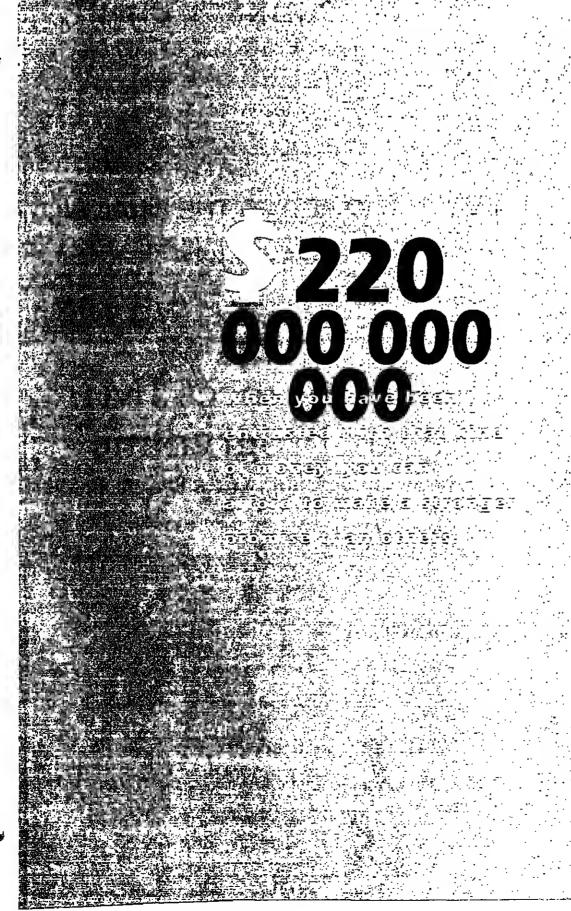
Mr Savimbi's failure to turn up for the signing of the Lusaka agreement aroused fresb cynicism within the international community and among ordinary Angolans, who wish to see a meeting between Mr Savimbl and President Jose Eduardo dos Santos as a sign of their willingness to tackle the deep mistrust felt by both

Although no date for such a meeting has been set, President dos Santos has agreed to it in principle and Mr Savimbl said in an interview on Portuguese television two weeks ago that he might be prepared to go to Luanda. "It is better for me to go to Luanda because then [Mr dos Santos] is respon-sible for me," be said. "Let them kill me in Luanda."

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an collatera



Go ahead was



Money talks. This figure testifies to the trust thousands of lund managers and individuals have put in AXA Group companies, located in 16 countries, on three continents. Alliance Capital Management and Donaldson Lufkin & Jenrette, subsidiaries of The Equitable in the USA, and AXA Equity & Law in the UK are shining examples.

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Seoul economy 'to grow 7.3%'

The South Korean economy is expected to grow 7.3 per cent this year after gross national product posted a growth of 8.3 per cent in 1994, the central bank announced yesterday. Last year's growth reflected a 17 per cent rise in exports, which benefited from a weak Korean currency, and a resulting 20 per cent increase in capital investments to meet overseas demand.

Private consumption grew 7.5 per cent. The government, concerned about increased inflation due to the overheated economy, is expected to slow growth this year by tightening monetary control and restricting loans. Inflation is predicted to reach 6 per cent, following a 5.6 per cent increase in 1994. Consumer spending and expanded construction will be the main factors behind economic growth this

The current account fell into a deficit of \$4.5hn (£2.8bn) last year, against a surplus of \$380m in 1993, as Korea increased imports of machinery and industrial components to expand production. The central bank predicts the deficit will widen to \$6bn in 1995. John Burton, Seoul

■ South Korea's main commercial banks plan to base their interest rates for overdrafts on daily movements of short-term money market rates, a change from the present system under which they are practically fixed. Bank officials said disparities had often encouraged companies to seek profits by withdraw-ing money from banks through an overdraft, to lend it in short-term money markets. Reuter, Seoul

Bangkok push to sue ex-leaders

Organisers of the pro-democracy rallies in Bangkok in 1992 are raising funds to sue Thailand's disgraced military leaders whose troops killed more than 50 people in their attempt to hang on to power. An organisation representing relatives of the dead and missing reckons that Bt500,000 (£12,886) is needed

before the first court hearing on February 3.

Earlier attempts to take legal action against the members of the junta, that had foisted the unelected General Suchinda Kraprayoon into the premiership in 1992, have been rejected by the appeals court which said the defendants were protected hy a controversial amnesty. The appeal has received about Bt200,000 from Mr Chamlong Srimuang, leader of the Palang Dharma (Buddhist Force) party, currently a deputy prime minister, who played a pivotal role in the demonstrations, "Contributions from just 5,000 people could bring the truth to the surface," said Mr Adul Khiewboriboon, chairman of the Relatives of the May Heroes Group. William Barnes, Bangkok

Swedes in gift horse apology

General Ake Sagran, commander-in-chief of the Swedish army, arrived in Pakistan yesterday to express his regrets to General Abdul Wabeed, Pakistan's army chief, over the killing by the Swedish anthorities of three Pakistani horses sent to him by Gen Waheed as a gift. Sardar, Tez and Sher-dil were destroyed shortly after they arrived in Sweden in December. Under Swedish law, Asian animals have to undergo quarantine in another European country. Earlier arrangements with Estonia fell through when officials there refused to accept the animals on arrival. The horses were then shipped straight to Sweden rather than heing returned home.

Many Pakistanis expressed outrage. "The pitiable event shows how ungracious and discourteous the Swedes can be, to look gift horses in the mouth and shoot them," said a letter published in a local newspaper yesterday, Farhan Bokhari,

- Thailand's draft hudget for the fiscal year starting in October will be submitted to the cabinet on February 2, a finance ministry official said. At Bt832.2hn (£21bn), it is a 16.4 per cent increase over 1995. Reuter, Bangkok
- Hong Kong's broad consumer price index rose 8.9 per cent in December year-on-year, up from 8.6 per cent in November, the Census and Statistics Department said. Reuter, Hong Kong
- Taiwan's imemployment rate rose to 1.56 per cent in 1994 said. In December the rate was 1.41 per cent. Reuter, Toipei
- Singapore's consumer price index rose at an average monthly rate of 3.6 per cent year-on-year in 1994, compared with 2.4 per cent in 1993, the Department of Statistics said.
- India plans to huild 12 airports and has begun upgrading facilities in New Delhi and Bombay to cope with increased demand, according to Mr Gulam Nahi Azad, civil aviation minister, AFX. New Delhi

China unveils long-range 85mm 'supergun'

By Tony Walker in Beijing and Bruce Clark in London

China yesterday puzzled western defence experts by unveiling a prototype of a 22metre long "supergun" which could apparently be used against neighbouring countries. The People's Liberation Army daily newspaper published a photograph of what it said was an 85mm experimental gun without giving details of its range or application.

The indistinct photograph revealed a primitive-looking device mounted on a platform without wheels and sitting on the edge of a stretch of water. The prototype was covered with camouflage paint.

Defence attachés in Beijing were at a loss to explain why China should be experimenting with such a device at this stage, but they noted that it bore similarities to the "supergun" shipped to Iraq in the late 1980s, although much smaller.

Iraqi President Saddam Hussein's supergun, designed hy Mr Gerald Bull, the Canadian hallistics expert who was assassinated in Belgium in 1990, was 52.2 metres long with a 350mm calibre. Mr Bull, whose death was widely blamed on the Israelis, spent time in China in the 1980s, and is known to have provided assistance in the development of long-range artillery systems.

"Our country's first super-

long barrel cannon has been

successfully made," the caption on the PLA photograph read. "This is our country's longest experimental cannon with a high initial velocity and low manoeuvrahility." Western attaches said there

was no ohvious target for such a device, but among countries that could be within range was South Korea. Taiwan would also be within reach. The relatively small 85mm

calibre of the experimental gum indicates that China has some

way to go if it is bent on developing a device capable of hurling large artillery shells over long distances. Mr Christopher Foss, editor

of Jane's Armour and Artillery, said the 85mm calibre was puzzlingly low, and confirmed the impression that the model depicted was experimental. "This is not yet an operational

weapon," he said. Mr Gerald Segal, an expert the new gun was a "strategic range delivery systems.

of the Chinese foreign minis-try's Hong Kong and Macao

Affairs Office, said the refusal

to hand over the civil servant

data would not have a positive impact on Mr Qian's UK trip

and proved it was not an

appropriate tima to schedule

such a meeting.
Prof Joseph Chang of Hong
Kong's City University, a

prominent commentator on

Sino-British relations, says: "Most of us no longer think in

terms of optimism or pessi-

mism because there is no

expectation of improvement in

adding that "It's n damage lim-

itation operation now, patch

Part of the damage limita-

tion would be a change in style

hy Mr Patten, a politician who rises to the bait all too easily.

His handling of the civil ser-

vice row was illustrative of

this. The governor started ont.

in measured terms by calling

for the issue to be discussed in

private. But Mr Patten could

not resist saying Chinese offi-

cials should avoid "short-tem-

up things as best you can."

relations in the next 900 days."

with Beijing's recent emphasis on naval power projection. He said in terms of range

and accuracy, a supergun would not provide China with any more capacity than it already possessed through its arsenai of ground-to-ground missiles. It was possible, Mr Segal, said the weapon was designed mainly for export to the hurgeoning international on Chinese defence policy, said market for crude medium-

Hong Kong divided by two masters' voices

China's 'loyalty' demand will be high on Patten's London agenda, writes Simon Holberton

documentation for Hong Kong citizens; the

service. The governor told the Fnreign Correspondents' Club that doubts persisted

about the future because both sides had not

been able to deal as quickly with nutstanding

issues as the people of Hong Kong had hoped.

court of final appeal; the development of a container terminal; and the future of the civil

hen Hong Kong Gov-ernor Chris Patten arrives in London tomorrow on a three-day visit. China's latest demand concerning the colony's senior civil service will be high on the agenda in his ministerial meet-

ngs.
Last week Beijing sowed fear within the upper echelons of Hong Kong bureaucrats when it demanded that the British government pass over details of top civil servants' "integrity checking". It also wanted to know whether the officials have the right of abode in a foreign country, especially through Britain's own nationality scheme.

More than anything else Beijing needs the Hong Kong civil service if it is to pull off the "smooth" transfer of sovereignty in 1997 which it has always said it wants. Yet it has now measurably increased the probability of widespread resig-nations among brighter, more employable Chinese civil servants before the handover.

The Hong Koog government claimed that it destroys the information it collects to determine top officials' integrity for Britain and China would have to give the people of Hong Kong more concrete assurances about the future beyond 1997 if uncertainties about the colony's transfer of sovereignty were to be laid to rest, Governor Chris Patten said yesterday, writes Simon Holberton in Hong Kong. He called on China to reach agreement with Britain on the right of abode and travel

high office. Only the finding pass or fail - is known to the civil service board when interviewing candidates for top

Britain's nationality scheme for Hong Kong was hrought in after the June 1989 Tiananmen massacre. It provided for 50,000 families to receive British passports. Preference was given to those Chinese most closely associated with the colonial government: confidentiality was guaranteed.

As the South China Morning Post, the colony's leading English language daily, indi-cated last week, China's call for personal information about civil servants can be seen in a broader context. It "could be seen as a challenge to individuals who would otherwise remain untouched by the (Sino-British) row to come for-

ward and prove their loyalty to one side or the other - a development which could cause personal anguish and hureau-cratic instability," the paper

Strip away the conditionality from that observation, says Mr Michael Yahuda, a China specialist at the London School of Ecocomics, and you have a pretty accurate description of life in Hong Kong today. "People are heing forced to he either pro-Britain or pro-China no one can he pro-Hong Koog any more," he says.

Mr Yahuda says this is particularly acute in the universi-ties where no academic can be sure that something he wrote years ago will not he resurrected and used against him in the future.

A taste of what might come such an opportunity, But last week Mr Wang Guisbeng, head was given last week in a com-

mentary by Mr Ching Hom in Wen Wei Po, a Beijing funded newspaper in Hong Kong. Taking Mr Patten to task for saying that people in the colony were worried about the prospects after 1997, Mr Ching said the only people concerned about the handover were a handful of pro-British, anti-

China "elements" - they knew

"their days were numbered". Mr Yahuda believes that this polarisation of opinion in Hong Kong is the direct result of the "enormous silence in Sino-British relations" which was created by the row over political reform. He helieves that the UK should, and can, make efforts to improve matters. A planned visit to Britain hy Mr Qian Qichen, China's for-

eign minister, might provide

pered sound hites on television". "The minimum [the gover-

nor] should do is avoid poleso-ics, says Mr Chang. "He has to appreciate that Hong Kong people do nnt want to see another quarrel. He still retains his parliamentary state he likes to score points of the other side. This is not a useful approach. The governor must be seen to be trying to secure Sino-British co-operation. If he is not seen to be working hard for that then he will lose popu-

larity." There is anecdotal evidence that this loss of popularity is happening and Mr Patten risks being seen as part of the prob-lem, rather than part of the solution. But his job of manag-ing Britain's withdrawal from Hong Kong - which will soon call for the skills of the juggler as well as the tightrope walker - is not made easier by a change in economic circum

It was easy for local people to ignore the Sino-British row as long as stock and property prices were rising. Now prices are falling and there is a general sense that the economy is slowing, the diplomatic logiam is weighing more heavily on

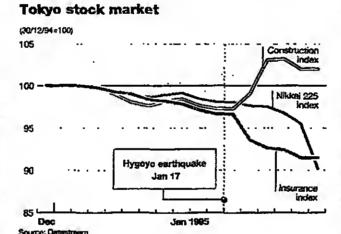
Tokyo markets count costs of earthquake

By Gerard Baker in Tnkyo

Japanese government officials yesterday expressed concern about the economic impact of the earthquake which devastated Kobe a week ago. As the death toll passed 5,000, Bank of Japan regional hranch managers at their quarterly meeting in Tokyo said the quake might prove to be a significant minus factor for the economy for a

long period. branch manager and a director of the bank, said that "various forms of negative impact are inevitable

The sharp fall yesterday in Tokyo equity prices - of 5.6 per cent - reflected a delayed reaction to the disaster, the worst for 70 years. Initial market reaction last week was calm, with most economists concluding that the overall stimulus to



the economy from additional might in fact be positive. But hy yesterday it appeared that most investors had con-

cluded the benefits were likely Infrastructure investment to prove very long-term, while the immediate estimated costs of reconstruction continue to escalate daily. Some analysts

yesterday put the eventual cost factors will have on share : as part of their capital base, at over Y5,000hn (£31.7bn). with estimates in some cases well beyond that. Mr Kosaku Inaba, head of the Japan Chamber of Commerce and Industry, was quoted as saying yesterday: "My estimate is that the quake inflicted damage worth more than Y40,000bn or some 10 per cent of Japan's gross national product."

The money for reconstruction will have to come princlthe corporate sector, since very little of the damaged property was insured. The extra government spending is likely to push up long-term interest rates, as most will be raised in the bond market. The corporate sector's contribution will come from extra horrowing from banks and from liquidation of companies' own financial assets. "The negative effect these

eign investors in the market today and they rushed to get out before everyone else does," said Mr Jason James, equity strategist at James Capel Pacific in Tokyo.

Investor confidence has also been hit by the earthquake, because the scale of the destruction has undermined Japanese confidence in the country's ability to withstand ster. "Right now, the Japanese investor's and consumer's psyche is very cantious and the quake has really exacerbated that," said Mr Alan Livsey, equity strategist at Kleinwort Benson in Tokyo.

Plummeting share prices also reawakened fears about the strength of the financial system. Banks hold unrealised gains on their equity holdings

prices was anticipated by for and analysts expressed concern about the risk to banks' capital from further falls in the market.

The leading banks' capital ratios are not far above Bank for international Settlements-agreed guidelines, and if equi-ties fall below 15,000 that margin will be uncomfortably close. But some economists expect the government to assist the market hy requiring public institutions to buy shares to prevent a further collapse. The authorities will have to move in this year as they have in the past to prop up the mar-ket if they are to avoid serious problems," said Mr Neil Rog-ers, strategist at UBS in Tokyo.

Last night Mr. Jiro Saito, vice-minister at the Ministry of Finance, said the government was watching the market very

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate industrial render form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

		TED ST				JAPA	.N				■ GER	MANY			
	Hetali Saled Volume	industrial production	Unemp- foyment rate	Vecency rate indicator	feeding indicator	Retail select relumn	industrial production	Usarno- lopuscit rata	Vacancy rate indicator	Composite leading ballcator	Retail union Volume	industrial production	Unemp- loyerant vate	Vacuncy rate indicator	Correction indicate
1985	100.0	100.0	7.1	100.0	91.2	100.0	100.0	2.6	100.0	77.1	100.0	100.0	7.1		
966	105.5	100.9	6.9	96.0	25.4	105.6	99.7	2.8	94.3	84,3	103.3	102.2		100.0 136.4	89.
967	108.4	106.0	6.1	105.5	96.5	113.8	103.1	2.6	108.3	91.7	107.4	102.8	6.4		89.
968	112.6	110.7	5.4	106.1	100.0	122.6							6.2	149.4	90.
989	115.6	112.4	5.2	99.3	98.8		113.1	2.5	135,6	97.1	110.5	106.3	6.2	164.8	95.
980						132.S	119.7	22	147.0	99.2	114.2	111.4	5.6	218.7	98.
	116.4	112.4	5.4	84.8	95.0	141.7	124.5	2.1	149,8	96.7	123.5	117 <i>.</i> 2	4.8	261.1	96.
991	114.0	110.5	6.6	62.2	99.6	144.6	126.8	2.1	144.2	94.5	130.5	120.8	4.2	270.7	95.
992	117.6	114.1	7.3	60.3	104.5	139.9	119.0	2.1	124.2	93.6	127.7	119.1	4.6	260.2	90
993	123.8	116.6	6.7	65.7	110.2	131.8	113.6	2.5	106.6	99.5	122.7	110.6	6.1	198.5	96
994		125.1							10				•	196.8	-
st qtr.1994	7.0	4.1	6.S	71.3	110.9	-2.9	-3.0	2.8	101.7	102.7	0.5	-0.0	6.8	194.3	98
and gtr.1994	6.1	5.4	6.1	74.8	111.0	- 1.6	-1.1	2.8	102.9	104.1	-1.7	3.1	6.8	189.2	101
krd qtr.1994	5.6	5.8	6.0	77.0	111.0	-1.2	1.7	3.0	102.8	105.8	-2.3	3.7	6.9	193.4	103
th qtr.1994		5.9		*****		-1-2	,	5.0	10240	100.0	-2.0	3.1	0.5	208.4	103
lanuary 1994	4.4	3.7	6.5	66.6	110.5	- 2.0	-2.7	2.7	97.0	100.4	0.3	-1.8	8.7	190.1	96.
obruary	7.0	3.9	6.4	73.0	110.6	-3.7	- <u>1.3</u>	2.9	97.7	101.4	0.7	1.0	6.8	196.8	97.
March	9.7	4.7	6.5	74.3	110.9	-3.7 -3.1	-2.1	2.6	110.7	102.7	0.7	0.7		195.8	
Noril	8.7	4.8	6.4	73.5	111.3								6.9		98.
						-1.9	-2.0	2.8	99.5	103.4	-7.8	2.8	6.9	192.6	100
Viay	5.6	5.6	6.0	76.5	111.3	-3.4	-1.8	2.6	103.8	103.5	2.6	2.3	6.9	188.4	100
lune	5.6	5.6	5.6	74.0	111.0	-0.1	0.7	2.9	105.1	104.1	0.0	4.1	6.9	186.7	101.
luly	S.0	5.6	6.1	77.0	111.3	-0.2	-0.5	3.0	98.6	105.5	-3.0	6.4	6.9	190.1	102
wegust	6.0	6.2	6.1	74.9	111.3	-2.1	3.6	3.0	106,6	105.9	-2.6	1.6	6.6	192.6	102.
ieptember	6.S	S.7	S.8	79.0	111.0	-1.1	2.0	3.0	102.2	105.6	-1.4	3.1	8.9	198.4	103.
October	6.5	6.0	5.7	85.6	110.5		4.6	3.1	100.2	106.2	-20	4.7	6.6	203.4	103
lovember	7.3	5.6	S.S	83.S	110.6		6.3	2.9	102.0	106.6	-3.5	S.5	6.8	208.4	104.
December 1994		5.6					٠	2.3	144.0	10010	-0.5	0.0	0.0	213,4	
	■ FRA	NCE				E ITALY					- UNIT	ED KI	GDON		
	Fictail		Unemp- layment	Vacuncy	Composite	formi			Unamp-	Camposite	Retail		Uneste	Vacuuty	Corposi
	roluse	production	izie izie	indicater	ingestor.	entes volume	industriel Production		rate	leading indicator	Acquisite to the second	Industrial production	INTERNATION OF THE PERSON OF T	rate	Interior
1985	100.0	100.0	10.3	100.0	90.0	100.0	100.0		9.8	88.1	100.0	100.0	11.2	100.0	90.
986	102.4	101.1	10.4	107.0	96.3	108.8	104.1		10.4	94.1	105.3	102.4	11.2	116.1	93.
1967	104.S	103.1	10.5	117.2	96.2	112.1	106.6	1	10.9	95.6	110.7	106.5	10.3	141.2	97.
988	107.9		10.0	135.3	100.9	107.9			10.9			111.6			
989		107.3								99.6	117.8		8.6	143.1	
	109.5	111.3	9.4	160.6	100.8	116.8	118.7	•	10.9	97.8	120.1	114.0	72	123.S	93.
	109.5 110.3	111.3 112.9	9.4 6.9	160.6 163.2	100.8 96.1	116.8 114.4	118.7	,	10.9 10.3	97.8 94.0					93.
1991	109.5 110.3 110.3	111.3 112.9 113.2	9.4 8.9 9.4	160.6 163.2 128.2	100.8 98.1 97.3	116.8 114.4 110.8	118.7 116.0 115.4	,	10.9 10.3 6.6	97.8	120.1	114.0	7.2 6.8	123.S 97.2	93. 91.
991	109.5 110.3	111.3 112.9	9.4 6.9	160.6 163.2	100.8 96.1	116.8 114.4	118.7 116.0 115.4		10.9 10.3	97.8 94.0 96.4	120.1 121.1 119.6	114.0 113.7 109.2	7.2 6.8 6.8	123.S 97.2 68.2	93. 91. 95.
991 992	109.5 110.3 110.3 110.5	111.3 112.9 113.2 113.2	9,4 8,9 9,4 10,4	160.6 163.2 128.2 109.5	100.8 96.1 97.3 95.8	116.8 114.4 110.8 11 3. 9	118.7 116.0 118.4 115.4		10.9 10.3 6.6 9.8	97.8 94.0 96.4 93.3	120.1 121.1 119.6 120.5	114.0 113.7 109.2 109.0	7.2 6.8 6.8 9.9	123.S 97.2 68.2 69.3	93. 91. 95.
991 992 983	109.5 110.3 110.3	111.3 112.9 113.2	9.4 8.9 9.4	160.6 163.2 128.2	100.8 98.1 97.3	116.8 114.4 110.8	118.7 116.0 118.4 115.4		10.9 10.3 6.6	97.8 94.0 96.4	120.1 121.1 119.6 120.5 124.7	114.0 113.7 109.2	7.2 6.8 6.8	123.S 97.2 68.2 69.3 76.3	95. 93. 91. 95. 99. 106.
991 992 983 994	109.5 110.3 110.3 110.5 110.7	111.3 112.9 113.2 113.2 110.1	9.4 8.9 9.4 10.4 17.7	160.6 163.2 128.2 109.5 90.0	100.8 96.1 97.3 95.8 98.8 102.0	116.8 114.4 110.8 712.9 114.2	118.7 116.0 115.4 115.4 112.9		10.9 10.3 6.6 9.8 10.2	97.8 94.0 96.4 93.3 101.0	120.1 121.1 119.6 120.5 124.7 129.0	114.0 113.7 109.2 109.0 111.3	7.2 6.8 6.8 9.9 10.3	123.S 97.2 68.2 69.3 76.3 94.1	93. 91. 95. 99. 106.
1991 1992 1983 1994 1st qtr.1994	109.5 110.3 110.3 110.5 110.7	111.3 112.9 113.2 113.2 110.1	9.4 8.9 9.4 10.4 17.7	160.6 163.2 128.2 109.5 90.0	100.8 96.1 97.3 95.8 98.8 102.0	116.8 114.4 110.8 712.9 114.2	118.7 116.0 115.4 115.4 112.9		10.9 10.3 6.6 9.8 10.2	97.8 94.0 96.4 99.3 101.0	120.1 121.1 119.6 120.5 124.7 129.0	114.0 113.7 109.2 108.0 111.3	7.2 6.8 6.8 9.9 10.3	123.S 97.2 68.2 69.3 76.3 94.1	93. 91. 95. 99. 106.
990 991 992 983 994 st qtr.1994 2nd qtr.1994	109.5 110.3 110.3 110.5 110.7	111.3 112.9 113.2 113.2 110.1	9.4 8.9 9.4 10.4 17.7	160.6 163.2 128.2 109.5 90.0 93.6 110.6	100.8 96.1 97.3 95.8 98.8 102.0	116.8 114.4 110.8 712.9 114.2	118.7 116.0 115.4 115.4 112.9 -0.9		10.9 10.3 6.6 9.8 10.2 11.7 12.5	97.8 94.0 96.4 99.3 101.0	120.1 121.1 119.6 120.5 124.7 129.0 3.5 3.6	114.0 113.7 109.2 109.0 111.3 4.2 5.9	7.2 6.8 6.8 9.9 10.3	123.S 97.2 68.2 69.3 76.3 94.1 84.6 89.0	93. 91. 95. 99. 106.
991 992 983 994 st qtr.1994 and qtr.1994 and qtr.1994	109.5 110.3 110.3 110.5 110.7	111.3 112.9 113.2 113.2 110.1	9.4 8.9 9.4 10.4 17.7	160.6 163.2 128.2 109.5 90.0	100.8 96.1 97.3 95.8 98.8 102.0 100.8 102.4 102.8	116.8 114.4 110.8 712.9 114.2	118.7 116.0 115.4 115.4 112.9		10.9 10.3 6.6 9.8 10.2	97.8 94.0 96.4 99.3 101.0	120.1 121.1 119.6 120.5 124.7 129.0 3.5 3.6 3.4	114.0 113.7 109.2 108.0 111.3	7.2 6.8 6.8 9.9 10.3	123.S 97.2 68.2 69.3 76.3 94.1	93. 91. 95. 99. 106.
991 992 983 994 st qtr.1994 and qtr.1994 and qtr.1994	109.5 110.3 110.3 110.5 110.7	111.3 112.9 113.2 113.2 110.1	9.4 8.9 9.4 10.4 17.7	160.6 163.2 128.2 109.5 90.0 93.6 110.6	100.8 96.1 97.3 95.8 98.8 102.0	116.8 114.4 110.8 712.9 114.2	118.7 116.0 115.4 115.4 112.9 -0.9		10.9 10.3 6.6 9.8 10.2 11.7 12.5	97.8 94.0 96.4 99.3 101.0	120.1 121.1 119.6 120.5 124.7 129.0 3.5 3.6	114.0 113.7 109.2 109.0 111.3 4.2 5.9	7.2 6.8 6.8 9.9 10.3	123.S 97.2 68.2 69.3 76.3 94.1 84.6 89.0	93. 91. 95. 99. 106.
991 992 983 994 st qtr.1994 nd qtr.1994 th qtr.1994	109.5 110.3 110.3 110.5 110.7	111.3 112.9 113.2 113.2 110.1 0.3 3.6 5.3	9.4 8.9 9.4 10.4 17.7 12.5 12.6 12.8	160.6 163.2 128.2 109.5 90.0 93.6 110.6 109.0	100.8 96.1 97.3 95.8 98.8 102.0 100.8 102.4 102.8 102.0 99.3	116.8 114.4 110.8 118.9 114.2 -S.7 -S.9	118.7 116.0 115.4 115.4 115.9 -0.9 5.0 8.8		10.9 10.3 6.6 9.8 10.2 11.7 12.5	97.8 94.0 96.4 99.3 101.0	120.1 121.1 119.6 120.5 124.7 129.0 3.5 3.6 3.4 3.1	114.0 113.7 109.2 109.0 111.3 4.2 5.9 8.8	7.2 6.8 6.8 9.9 10.3 8.9 9.6 9.5	123.S 97.2 68.2 69.3 76.3 94.1 84.5 89.0 96.9 106.3	93. 91. 95. 99. 106. 108. 109.
991 992 993 994 st qtr.1994 and qtr.1994 th qtr.1994 anusary 1994	109.5 110.3 110.3 110.5 110.7	111.3 112.9 113.2 113.2 110.1 0.3 3.6 5.3	9.4 8.9 9.4 10.4 17.7 12.5 12.6 12.8	160.6 163.2 128.2 109.5 90.0 93.6 110.6 109.0	100.8 96.1 97.3 95.8 96.8 102.0 100.8 102.4 102.8 102.0	116.8 114.4 110.8 118.9 114.2 -S.7 -S.9	118.7 116.0 115.4 115.4 115.9 112.9		10.9 10.3 6.6 9.8 10.2 11.7 12.5 11.8	97.8 94.0 96.4 99.3 101.0 102.2 101.7 101.9	120.1 121.1 119.6 120.5 124.7 129.0 3.5 3.6 3.4 3.1	114.0 113.7 109.2 108.0 111.3 4.2 5.9 8.8	7.2 6.8 6.8 9.9 10.3 8.9 9.6 9.5	123.S 97.2 68.2 69.3 76.3 94.1 84.6 89.0 96.9 106.3	93. 91. 95. 99. 106. 108. 109. 110.
991 992 983 994 st qtr.1994 nd qtr.1994 th qtr.1994 enuary 1994 obruary	109.5 110.3 110.5 110.7 1.3 -1.2 1.4	111.3 112.9 113.2 113.2 110.1 0.3 3.6 5.3	9.4 8.9 9.4 10.4 11.7 12.8 12.6 12.8 12.5	160.6 163.2 128.2 109.5 90.0 93.6 110.6 109.0	100.8 98.1 97.3 95.8 98.8 102.0 100.8 102.4 102.8 102.0 99.3	116.8 114.4 110.8 118.9 114.2 -S.7 -S.9	118.7 116.0 115.4 115.4 112.9 -0.9 5.0 8.8		10.9 10.3 6.6 9.8 10.2 11.7 12.5 11.8	97.8 94.0 96.4 99.3 101.0 102.2 101.7 101.9	120.1 121.1 119.6 120.5 124.7 129.0 3.5 3.6 3.4 3.1	114.0 113.7 109.2 108.0 111.3 4.2 5.9 8.8	7.2 6.8 6.8 9.9 10.3 8.9 9.6 9.5	123.S 97.2 68.2 69.3 76.3 94.1 84.6 89.0 96.9 106.3 84.4 84.5	93. 91. 95. 99. 106. 108. 110.
991 992 993 994 st qtr.1994 rd qtr.1994 rd qtr.1994 th qtr.1994 enusary 1994 obrusary	109.5 110.3 110.5 110.7 1.3 -1.2 1.4	111.3 112.9 113.2 113.2 110.1 0.3 3.6 5.3	9.4 8.9 9.4 10.4 11.7 12.8 12.6 12.8 12.5 12.5	160.6 163.2 128.2 109.5 90.0 93.6 110.6 109.0 82.S 95.1 103.3	100.8 96.1 97.3 95.8 96.8 102.0 100.8 102.4 102.8 102.0 99.3 99.8 100.8	116.8 114.4 110.8 118.9 114.2 -S.7 -S.9	118.7 116.0 115.4 115.4 115.9 112.9 -0.9 5.0 8.8		10.9 10.3 6.6 9.8 10.2 11.7 12.5 11.8 n.a. n.a.	97.8 94.0 96.4 99.3 101.0 102.2 101.7 101.9	120.1 121.1 119.6 120.5 124.7 129.0 3.5 3.6 3.4 3.1 3.9 2.a 3.7	114.0 113.7 109.2 109.0 111.3 4.2 5.9 8.8	7.2 6.8 6.8 9.9 10.3 8.9 9.6 9.5	123.S 97.2 68.2 69.3 76.3 94.1 84.6 89.0 96.9 106.3 84.4 84.5 84.8	93. 91. 95. 99. 106. 108. 110. 107. 108. 108.
991 992 983 994 st qtr.1994 nd qtr.1994 th qtr.1994 enuary 1994 obruary ferch pril	109.5 110.3 110.5 110.7 1.3 -1.2 1.4 0.7 1.3 2.0 -3.8	111.3 1129 113.2 110.1 0.3 3.6 5.3 1.2 -0.8 0.5 3.6	9.4 8.9 9.4 10.4 11.7 12.8 12.8 12.8 12.5 12.5 12.6 12.6	160.6 163.2 128.2 109.5 90.0 93.6 110.6 109.0 82.S 95.1 103.3 113.6	100.8 96.1 97.3 95.8 98.8 102.0 100.8 102.4 102.8 102.0 99.3 99.8 100.8	116.8 114.4 110.8 114.2 -S.7 -S.9 -6.3 -8.6 -2.3	118.7 118.6 115.4 115.4 115.4 112.9 5.0 8.6		10.9 10.3 6.6 9.8 10.2 11.7 12.5 11.8 n.a. n.a.	97.8 94.0 96.4 99.3 101.0 102.2 101.7 101.9 102.0 102.0 102.2 102.3	120.1 121.1 119.6 120.5 124.7 129.0 3.5 3.6 3.4 3.1 3.9 2.8 3.7 4.3	114.0 113.7 109.2 109.0 111.3 4.2 5.9 \$.8 4.4 4.0 4.4 6.1	7.2 6.8 6.8 9.9 10.3 8.9 9.6 9.5	123.S 97.2 68.2 69.3 76.3 94.1 84.6 89.9 106.3 84.4 84.5 84.6 84.6	93. 91. 95. 99. 106. 108. 110. 107. 108. 108.
991 992 983 994 st qtr.1994 ord qtr.1994 th qtr.1994 anuary 1994 obruary farch pril tay	109.5 110.3 110.5 110.7 1.3 -1.2 1.4 0.7 1.3 2.0 -3.8	111.3 112.9 113.2 110.1 0.3 3.6 5.3 1.2 -0.8 0.5 3.6 3.8	9.4 8.9 9.4 10.4 11.7 12.5 12.6 12.8 12.5 12.5 12.6 12.6 12.5	160.6 163.2 128.2 109.5 90.0 93.6 110.6 109.0 82.S 95.1 103.3 113.6 109.8	100.8 96.1 97.3 95.8 96.6 102.0 100.8 102.4 102.8 102.0 99.3 99.8 102.0 102.6	116.8 114.4 110.8 118.9 114.2 -S.7 -S.9 -6.3 -8.6 -2.3 -10.5 -3.0	118.7 118.0 115.4 115.4 115.9 112.9 -0.9 5.0 8.8		10.9 10.3 6.8 9.8 10.2 11.7 12.5 11.8 n.a. n.a. n.a.	97.8 94.0 96.4 97.3 101.0 102.2 101.7 101.9 102.0 102.0 102.3 102.1	120.1 121.1 119.6 120.5 124.7 129.0 3.5 3.4 3.1 3.9 2.8 3.7 4.3	114.0 113.7 109.2 109.0 111.3 4.2 5.9 8.8	7.2 6.8 6.8 9.9 10.3 8.9 9.6 9.5	123.S 97.2 68.2 69.3 76.3 94.1 84.6 89.0 96.9 106.3 84.4 84.5 84.8	93. 91. 95. 99. 106. 108. 110. 107. 108. 108.
991 982 983 994 st qtr.1994 nd qtr.1994 th qtr.1994 th qtr.1994 obruary terch pril tary	109.5 110.3 110.5 110.7 1.3 -1.2 1.4 0.7 1.3 2.0 -3.8 3.1 -2.7	111.3 1129 113.2 110.1 0.3 3.6 5.3 1.2 -0.8 0.5 3.6	9.4 8.9 9.4 10.4 11.7 12.8 12.6 12.8 12.5 12.6 12.6 12.7 12.8	160.6 163.2 128.2 109.5 90.0 93.6 110.6 109.0 82.5 95.1 103.3 113.6 109.8	100.8 96.1 97.3 95.8 96.8 102.0 100.8 102.4 102.8 102.0 99.3 100.8 102.0 102.6	116.8 114.4 110.8 114.2 -S.7 -S.9 -6.3 -8.6 -2.3	118.7 118.0 115.4 115.4 115.9 112.9 -0.9 5.0 8.8		10.9 10.3 6.6 9.8 10.2 11.7 12.5 11.8 n.a. n.a.	97.8 94.0 96.4 99.3 101.0 102.2 101.7 101.9 102.0 102.0 102.2 102.3	120.1 121.1 119.6 120.5 124.7 129.0 3.5 3.6 3.4 3.1 3.9 2.8 3.7 4.3	114.0 113.7 109.2 109.0 111.3 4.2 5.9 \$.8 4.4 4.0 4.4 6.1	7.2 6.8 6.8 9.9 10.3 8.9 9.6 9.5 10.0 9.9 6.6 9.8	123.S 97.2 68.2 69.3 76.3 94.1 84.6 89.0 96.9 106.3 84.4 84.5 84.6 84.6 84.6 84.6 84.6 84.6 84.6 84.6	93. 91. 95. 99. 106. 109. 110. 107. 108. 108. 108.
991 992 983 994 st qtr.1994 and qtr.1994 th qtr.1994 anusary 1994 obruary farch pril tary	109.5 110.3 110.5 110.7 1.3 -1.2 1.4 0.7 1.3 2.0 -3.8 3.1 -2.7	111.3 112.9 113.2 113.2 110.1 0.3 3.6 5.3 1.2 -0.8 0.5 3.6 3.8 3.6	9.4 8.9 9.4 10.4 11.7 12.8 12.6 12.8 12.5 12.6 12.6 12.7 12.8	160.6 163.2 128.2 109.5 90.0 93.6 110.6 109.0 82.5 95.1 103.3 113.6 109.8	100.8 96.1 97.3 95.8 96.8 102.0 100.8 102.4 102.8 102.0 99.3 100.8 102.0 102.6	116.8 114.4 110.8 118.9 114.2 -S.7 -S.9 -6.3 -8.6 -2.3 -10.5 -3.0	118.7 118.6 118.4 115.4 115.4 112.9 -0.9 5.0 8.8 -0.2 1.0 6.9 2.6 5.2		10.9 10.3 6.6 9.8 10.2 11.7 12.5 11.8 n.a. n.a. n.a.	97.8 94.0 96.4 99.3 101.0 102.2 101.7 101.9 102.0 102.2 102.3 102.1 101.7	120.1 121.1 119.6 120.5 124.7 129.0 3.5 3.6 3.4 3.1 3.9 2.8 3.7 4.3 4.3 1.3 1.3	114.0 113.7 109.0 108.0 111.3 4.2 5.9 8.8 4.4 4.0 4.4 6.1 5.2 6.4	7.2 6.8 6.8 9.9 10.3 8.9 9.6 9.5 10.0 9.9 6.6 9.8 9.8 9.8	123.S 97.2 68.3 76.3 94.1 84.5 89.0 96.9 106.3 84.4 84.5 84.8 87.4 88.2 91.3	93, 91, 95, 99, 106, 108, 107, 108, 108, 108, 108,
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All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Detastreem and WEFA. Retail sales volume: data from national power sucress except Japan and Italy (value series deflated by OECO using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department store source except Japan and Italy (value sense defisited by OECO using CPI). Refers to total retail sales except mance and may image outputs only and Japan (department stores only), includes mixing and manufacturing, gas, electricity and water supply includes except Japan Instring and manufacturing only and UK (also includes construction inclusines). Unemployment retail in official sources. Vacancy rate Indicator: relevant vacancy measure divided by total civilian employment, expressed in Index form. Derived from OECO series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data exclades. UK – unfilled vacancies. Composite leading indicator: OECO data. Each is a mation of senes, evolutal fluctuations in which usually precede cyclical fluctuations in general economic activity.

CARGO CLAIMS COULD ADD TO THE FINAL BILL

Claims on marine insurance policies for cargo damaged in the Kobe earthquake could significantly increase the total impact on the world insurance industry, investigations by Lloyd's of London suggest, writes Ralph Atkins, Insurance Correspondent. "Marine claims could well exceed non-marine claims," a Lloyd's offi-

Tight controls imposed by the Japanese government and insurance companies on passing through Kobe is containerised tional insurance industry.

conclude overall claims for damage to property will be manageable. But the scale of the disaster means other costs could be considerable.

Kobe is one of Japan's biggest ports and much of the cargo being imported would have been insured, in the country of export, against earthquakes.

earthquake cover has led most insurers to and the port's two container handling facilities have been extensively damaged But much of the cargo exported from Kobe is insured within Japan and would not have been covered against earthquake damage while still in the country.

Lloyd's and insurance brokers warned it was still too early to estimate the cost of possible marine claims. Lloyd's said the About 75 per cent by value of the cargo cost would be spread across the interna

Pakistani team to meet IMF over three-year programme

Targets have been thrown into doubt, writes Farhan Bokhari

gation to the Interna-tional Monetary Fund in Washington during the next month to discuss the future of the fund's three-year programme with Islamabad. Pakistan is about to enter the second year of the SDR986m (£920m) programme, hut its ability to meet agreed economic targets have been

Damage to this year's cotton crop, with a shortfall in expected reveoues and husinesses complaining of a growing recession, have hit projections. Targets for inflation and lowering the high public-sector deficit may also not end as projected_

thrown into doubt.

During December, inflation rose to 14.3 per cent from 11 per cent a year earlier. The present figure is higher than the target of 5 per cent by 1997 agreed with the IMF. Targets for economic growth to reach 6.9 per cent for the fiscal year to June are also being revised. lodependent economists expect growth to fall below 5 goods. per cent. Final estimates for

are convinced the government will be nowhere near cutting it to 4 per cent of gross domestic product from last year's 5.9 per cent. There are concerns the government will be unable to meet its target of tax revennes for the year of Rs259bn (£5.3bn); collections for the first six months stand at **Rs95**.5bn.

The economy's performance is fast emerging as one of the toughest challenges for the 15month-old government of Premier Benazir Bhutto, "Pakistan needs the IMF programme to continue smoothly, hecause the government is convinced this will provide assurance to foreign investors," one western economist says.

This month, Ms Bhutto justified part of the revenue shortfall on the grounds that Pakistan had moved this year from an easy revenue collection system, such as import duties, to a more difficult system in the form of sales tax on different

Some officials argue that,

the public-sector deficit are not while preparing the pro-clear, though many economists gramme, the fund had suggested the changeover in line with lowering of tariffs globally, and had indicated the new practice would not lead to a sharp fall in revenues. But many independent economists say the government's own targets for the year were much too ambitious.

Mr V.A. Jafarey, the premler's adviser on finance. insists some of the shortfall could still be met before the fiscal year ends. He argues that Pakistan's tax revenues in the second half of any fiscal year have been higher than in the first; he disputes reports of a shortfall of up to 20 per cent based on figures for collections

SO far. At least 10 senior officials of the Central Board of Revenua, the government's tax collection department, have been forced to change jobs after falling to meet targets. It is not clear if a new team will be more success-

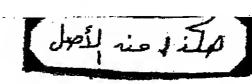
Ms Bhutto claims her government has met performance criteria set under a three-year

structural adjustment programme with the IMF. The country's foreign exchange reserves have risen to over \$3bn (£1.87bn) from a low of \$120m two years ago. The government has kept to its own expenditure targets, she adds. Many independent economists

are sceptical. The inflationary trends have created reason for further alarm, given that food price rises have been as high as 15 per cent. For many Pakistants not used to frequent price increases, the recent signs are a cause for concern.

The choice for Islamabad now is either that of improving its collections or taking unpopular decisions such as increasing domestic oil prices, a measure taken by Pakistani govarnments in the past to improve the balance of payments situation.

Ms Bhutto gives no clues on what specific measures could be in store. Mr Jafarey says: Whatever [steps] are necessary for protecting the country's solvency, those will be



FINANCIAL TIMES TUESDAY JANUARY 24 1995 *

NEWS: WORLD TRADE

Race starts to build mobile satellite phones | Qatar in US

By Alan Cane in London

An international race to build the first global hand-held satellite phone system has begun in earnest with the completion of equity financing for one of the principal competitors.

Inmarsat, a London-based, satellite communications organisation, said some 39 of its members had pledged \$1.4bn in funding for Inmarsat-P, an affiliate company established to

Inmarsat's members include many of the world's leading telecoms operators. Investors in the new project include Detemohil of Germany, Telefonica of Spain. Comsat of the US and KDD of Japan. There is no participation from the UK or France.

The first shareholders' meeting will be held this morning, at which the board of directors and chairman will be elected. A chief executive and senior staff have also to be appointed. The project is expected to cost

establish a network of 12 satellites, 10,000km above the earth's surface by 1999, capable of handling communications from hand-held phones from anywhere in the world at a cost of \$2 a minute at 1999 prices.

Inmarsat-P will be competing against a number of contenders including the Iridium consortium led by Motorola, the US electronics company, and Odyssey, a joint venture between TRW, the US aerospace man-

Of the larger contenders only Iridium and Inmarsat-P have so far competed the first round of equity funding. Inmarsat-P is the only consortium in the race not based in North America.

Inmarsat, which pioneered mobile satellite communications with maritime voice and data services in 1982, predicts that conventional cellular services will continue to expand, but that by 2000, only 15 per cent of the world and 60 per cent of the popula-

The organisation argues there will be a substantial demand for satellite

hand-beld systems from international and domestic business travellers, goverument employees and customers in rural areas where fixed telephone systems are inadequate.

It says by 2010 there could be 5m subscribers. But analysts believe the market is unlikely to be able to support more than two competing ser-

deal to develop natural gas

By Robert Corzine

Qatar yesterday confirmed that it had signed a letter of intent with Enron, the US natural gas company, to develop a \$4bn liquefied natural gas project to supply potential customers in India and Israel.

The project would be the third LNG scheme in the country, which is keen to supplement oil revenues with largescale gas exports.

Qatar's proved gas reserves account for about 5 per cent of the world's total. They are mostly contained in the giant North Field, the largest single

gas field in the world. Reuters yesterday quoted Qatari officials as saying that the latest project would pro-duce 5m tonnes of LNG a year from early 1999, It said Enron would be responsible for arranging finance, including Qutar's majority equity share. The Houston-based company said a confidentiality agree-

ment prevented it from disclo-sing details of the deal. It did confirm, however, that it was looking at two potential markets for the gas, including an Enrou power project in hidia.

Israel is the second market under consideration. The Middle East Economic Survey yes terday reported that Israel had beld talks with Jordan on a proposal to build an LNG terminal near Agaba.

Qatari gas could then be made available to utilities and industrial customers in both cuuntries. Israeli officials last week said they were interested in Qatari gas through Enron. would take it depended partly on the price and partly on where to put the receiving ter-

The original intention was to locate it at Edat, Israel's Red Sea tourist resort, but this was potentially a problem because of tourism. A site in Jordan would overcome this difficulty Qaiar's other two LNG prejects are aimed at markets in East Asia, such as Japan, South Korea and Taiwan. The gas will be sold free on board, meaning Euron will be respon-

minal.

An earlier project to supply LNG to littly collapsed last year over gas prices.

sible for shipping and for get-

ting it to its ultimate destina-

Ukraine spreads energy sources

By Matthew Kaminski in Klev

The Odessa oil terminal project approved by Ukraine's parliament last week marks an important step by the second largest former Soviet republic to diversify its energy sources

and cultivate trade links. After a divisive debate over environmental hazards, a new terminal near the deep Yuzhny port will bandle 12m-20m tonnes of crude a year once construction is completed late next year. The crude, brought by tankers entering the Black Sea via the crowded Bosporous Straits, would be refined et Odessa and Kherson, two of Ukraine's six refineries.

With Russian oil output declining and subject to world

nomic interest in meeting the country's 40m tonne annual requirement through importing Middle East crude. It currently imports almost 20m tonnes from Russia and pro-

duces 4m tonnes domestically. "We have to look for back-up options," said Mr Valery Cherep, chairman of Ukraine's state committee on infrastructure development. "A country as hig as Ukraine cannot sit on just one pipeline."

Construction costs over the next 16 months are expected to hit \$790m. The government maintains the funding will come from the state budget, commercial investors, and international financial institutions or sovereign states.

The terminal will he

per year. The expansion plans hinge on a 320km pipeline from Ankara to the Black Sea reloading port at Samsun 720km from Odessa. That \$1.5bn project, currently under discussion, would hypass the Bosporous to hring Iraqi and Iranian oil into Ukraine. Analysts predict that if built, the

regional oil flows. Mr Cherep said Ukraine would save an average of \$12 per tonne if the oil did not go exclusively through the Bosporous or the current Russian oil pipeline from Tumun, in iberia. As total capacity at Ukraine's under-used refineries approaches 62m tonnes per ear, government officials also hope Ukraine could develop a

Samsun pipeline would change

lucrative export market in northern Europe for its surplus refined oil.

Parliament approved the Odessa project after a UK company performed onshore and offshore environmental impact With some natural wealth,

Ukraine wants to raise oil output from 4m tonnes last year to 7m tonnes by 2000, increase natural gas production above the 17bn cu m last year, and expand the coal and nuclear

Until then, Ukraine must work with its energy creditors. President Leonid Kuchma today meets Russian President Boris Yeltsin to discuss an energy debt and supply agree-ment for 1995. Ukraine last week reached agreement with



Turkmenistso for 11hn cubic metres of natural gas in 1995, 40 per cent paid for hy hard currency and the remainder by

m natural gas needs will be covered by domestic production and Russian imports.

WORLD TRADE NEWS DIGEST

South Korea lifts car exports 15.6%

South Korea boosted car exports by 15.6 per cent to 737,900 last year as a result of a large increase in sales in the US, traditionally its biggest market. But the industry's strategy of market diversification suffered a setback, with shipments to Europe stagnating and a sharp drop in exports to Asia.

Exports are becoming more important to the rapidly expand-ing Korean car industry because of a slowdown in domestic sales, which grew by 9.1 per cent last year. Korea is boping to almost triple production from 2.3m vehicles in 1994 to 6m by the end of the decade, with half of this amount destined for

Car exports to the US jumped by 85 per cent to 206,000 vehicles due to economic recovery and introduction of several new models in the market. Exports to Europe grew by only 1.3 per cent to 159,900 vehicles. Although shipments to western Europe rose by 5.5 per cent to 138,600 vehicles, exports to eastern Europe dropped by 19.8 per cent to 21,300.

South America overtook Asia to become the South Korean car industry's third biggest regional market with 129,100 vehicles, an increase of 35.7 per cent, followed by the Middle East with 94,400 vehicles, a decline of 6.5 per cent. John

Cuba and Caricom build links

Cuba and the Caribbean Community (Caricom) have agreed a wide ranging programme of co-operation on economic and technological issues and will discuss expanding trade links. Agreement follows a two-day meeting in Havana of a joint commission established last year by Cuba and the 13-member

"We made progress in the specific areas identified in the plan of action, such as technological co-operation, biotechnol-ogy, culture, human resource development, the environment, meteorology, tourism, transportation, information exchange and information systems," said Mr Edwin Carrington, secretary general of the community.

The creation of the commission last year was criticised by the US, which pressed Caricom countries to insist on political reform in Cuba before increasing trade and economic co-operation. Canute James, Kingston

Australia upset at dairy move

The Australian government will lodge an official protest in Washington this week against a US decision to expand its dairy subsidy programme into Australia's key Asian markets. The US agriculture department amounced last Friday that up to 114,000 tonnes of milk powder, 37,650 tonnes of butter and 3,850 tonnes of cheese would be eligible for subsidies under its Dairy Export Incentive Programme.

Australian farmers are most concerned about the effect on its skim milk powder exports totalling 150,000 tonnes a year. The Philippines is Australia's largest market for milk powder, accounting for around 43,000 tonnes last year with a value of A\$100m (US\$76m). Emilia Tegaza, Canberra

■ Dell Computer of the US and its Japanese subsidiary, Dell Computer KK, will build a new personal computer plant in Penang, Malaysia to cater for the Japanese and other Asian markets. Construction will start later this year at the Bayan Lepas Free Industrial Zone in Penang. Reuter, Tokyo

■ Weir Westgarth has won orders totalling \$25m to provide equipment for two combined-cycle power stations and associequipment for two combined-cycle power stations and associated desalination plants in Lebanon. The work, for which Weir Westgarth was acting on behalf of a number of companies in Glasgow-hased Weir Group, is part of a \$530m contract recently awarded to a European consortium comprising Ansaldo of Italy and Siemens of Germany. Andrew Baxter, Leaden

France's Alcatel Alsthom is to invest \$300m in China's fledgling telecommunications industry over the next three years to boost its presence in the world's largest market. Alcatel'a China orders reached \$1.4bn in 1994, up from \$1.2bn in 1993 and more than double that of 1992. The company announced eight new joint ventures in China in 1994 for telecom transmission, cable, husiness and rural communication systems and telecoms systems support. Reuter, Beijing ■ Michelin (Canada) will invest C\$25m (US\$17.5m) to upgrade its three tyre plants in Nova Scotia. The funds will be used to raise capacity and productivity. Michelin moved into Nova Scotia 25 years ago and its operation is the closely with Michelin's US plants. Robert Gibbens, Montreal

Michelli S US plants. Robert Globers, Montreal

Brit air, the French feeder airline, has doubled its order of 50-passenger Bombardier regional jet aircraft from three to six, worth a total of \$111m. Deliveries start in June and will be completed in 1996. The jets will replace turbo-props on longer routes. Bombardier has delivered 52 RJs and has firm orders for another 52 worth nearly \$1bn. Robert Gibbens,

■ Carnival Corp of the US has reached agreements with an Italian shipyard, Fincantieri Cantieri Navali Italiani, to construct two cruise ships at a combined cost of about \$650m. One vessel will be built for its Carnival Cruise Line unit, with the other being built for its Holland America Line subsidiary.

Reuter, Miami ■ Indian industrial group DCM will build a \$27m tyre cord fabric plant in Dubai's Jebel Ali Free Zone. India's SRF, part of DCM, will build the plant and provide \$10m in equity, while State Bank of India and Kuwait's Burgan Bank will provide \$10m in long-term loans. Reuter, Duboi



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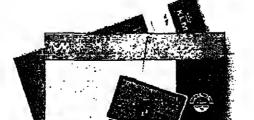
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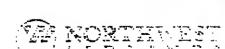
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Korean group defies dumping charge

By Chris Tighe and Andrew Baxter

Samsung Heavy Industries, Korea's higgest construction equipment producer, is to establish its first foreign manu-facturing plant in a former steel fabrication factory near Harrogate in northern England. The announcement follows Samsung's two-year search for a suitable European

location, involving 12 possible sites in eight countries.

Yesterday's announcement comes little more than a month after a group of European exca-vator manufacturers filed a long-awaited anti-dumping complaint against their main Korean rivals.

A European Commission committee will decide by February 3 on whether to investigate the Korean producers, who deny dumping their machines on the European

The complaint from the

By Andrew Adonis

Public Policy Editor

Refurbishment of the

Treasury's headquarters on

Whitehall in central London is

to be carried out through the

private finance initiative, Mr

Kenneth Clarke, chancellor of

the exchequer, will announce

today. He hopes to accelerate

the government's flagship pol-

icy for boosting investment by the private sector in state pro-

"I foresee that before many

years private contracts will be

the usual way of meeting the

government's capital spending

requirements, he said vester-

day. The initiative is designed

to shift responsibility to the

private sector for financing

and managing capital invest-

ment projects to provide new

Ownership of the Treasury's

huildings on the corner of Whitehall and Parliament

Square may pass to the private

sector, with the government

taking a long lease. Mr Clarke

or upgraded public services.

setting up excavator factories within the European Union. Earlier this month Hyundai said it would open a plant at Geel in Flanders, while Daewoo plans to expand produc-tion at its Mons, Belgium, fac-

Production of 21-tonne crawler excavators at the new English factory will start later this year. An initial workforce of 100 is due to rise to between 500 and 600 by the year 2000. The £10m (\$15.9m) investment is the first by a Korean company in the Yorkshire and Humberside economic region. It follows the announcement by the Samsung Group in Octo-ber 1994 of plans for a £450m electronics complex at Wynyard in north-east England on which construction has just started.

in common with its Korean rivals, Samsung is starting cautiously at Harrogate, with initial production of 500 excavators a year. But this could rise to 2,000 excavators and other machines by the year 2000, further exacerbating competitive pressures in the European market. Samsung has bought free-

hold the 20,000 sq m factory

Treasury building may

transfer to private sector

The Private Finance Panel, a ginger gronp established by

the government 14 months ago

under the chairmanship of Sir

Alastair Morton, hopes to

counter criticism hy display-

tog momentum in the public finance initiative. Sir Alastair is co-chairman of Eurotunnel,

the company which operates

the Channel tunnel between

England and France, Today

the panel will unveil a list of nearly 700 PFI projects valued

at a total of £21bn (\$32.8bn)

across government depart-

ments, ranging from hospital

appoint a successful hidder for

the Treasury joh, expected to cost between £100m (\$159m) and £200m, before the end of

He will also claim that the

government is on target to sign

contracts worth £6bn under the

initiative this year - up from £5hn forecast in last Novem-

So far the initiative has

made slow progress. There has

ber's Budget.

greenfield site. The plant, barely five years old, has been vacant since Octavius Atkinson, a Taylor Woodrow subsidiary, closed in April 1993. The Korean company is also trying to secure an option for 20ha of adjacent land owned by a pri-

scanners and imagers to the upgrading of the West Coast

railway line between London

and Scotland, It involves a

complete culture change," said

Sir Alastair. New markets,

snch as the provision and

operation of private prisons.

are developing. The initiative

is also intended in stimulate

public/private partnerships,

notably in local government

where city and district councils have plenty of assets,

but not always the entrepre-

neurial zeal to make the best

reflected in a hostile report last

week from the House of Commons Treasury and civil

service committee, which

claimed that important aspects

of the initiative remained

ill-defined. Mr Clarke believes

that progress in recent months

- notably a contract between

ondon Underground and

GEC-Alsthom to provide new

trains for a notoriously

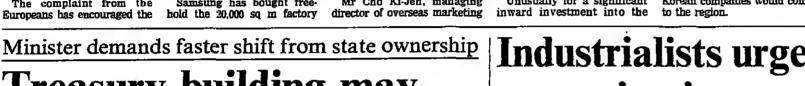
inefficient Underground line -

and its surrounding 18ha

vate trust. Mr Cho Ki-Jeh, managing director of overseas marketing inward investment into the

UK. Samsung's site does not at Samsung's construction equipment division, said the qualify for regional selective plant would be an assembly assistance. Samsung said the operation at first with machinadvantages of the site, near the ing and other manufacturing activities added later. It would start by serving the European market and later also the US. the Middle East and other Unusually for a significant

A1 road from London, included infrastructure and labour availability. Mr Eric Wright chairman of the Yorkshire and Humberside Development Agency, predicted that more Korean companies would come



Industrialists urge expansion in trade with Iraq

By Jimmy Burns

More than 70 British companies last night attended a private meeting in central London backing fuiler trade ties with Iraq in spite of the UK's support for the continuance of United Nations sanctions against President Sad-

Cho Ki-Jeh, managing director of Samsung Heavy Industries, at the company's factory in England

The meeting was organised

Companies attending were drawn from a wide cross-section of sectors,indicating a growing interest in Iraq among businesses whose contacts are with Baghdad are restricted by sanctions. They included Brit-Rothmans Exports, Trafalgar Amersham International, De before the Gulf War was an

the Iraqis during the 1980s.

tude towards sanctions by signing forward contracts with Baghdad.

his group.

important market for us," he Among other companies told the meeting. "We feel it is Single EU UK NEWS DIGEST

presence

suggested

for Ireland

A draft of the keeply awaited

UK-Irish framework document

proposes that a cross-border

institution should help develop a joint approach to the

European Union for the island

of Ireland, David Owen writes

This emerged yesterday as Mr John Major, the UK prime

minister, offered further reas-

surance to pro-British Union-

ists in Northern Ireland that the two governments' propos-

als did not include provision

for joint anthority over North-

The prime minister told a meeting of municipal leaders

from Northern Ireland that

joint anthority had "never been our intention", and the need for consent to UK-Irish

plans remained "paramount."

This gathering was preceded by an hour-long meeting

between Mr Major and Mr

James Molyneaux, the Ulster

Unionist leader who is an

immensely infinential figure

in efforts to construct a dura-

ble settlement in the province.
The meeting came after Mr
Molyneaux, whose acquies-

cence in the peace process has

been an important factor in

progress so far, had added his voice to mounting nnionist concern about what the docu-

Some leading Ulster Union ists have raised the prospect of withdrawing support for Mr

Major, leaving the government

Tory Eurosceptics.
Last week, the unionists demonstrated their parliamen-

tary power by extracting a

pledge before a Commons vote

on EU fishing rights that

marine fishing would he

exempt from cross-border co-operation. Yesterday's indication of the

joint stance on the EU will do

nothing to allay unionist con-

cerns. The draft envisages a

continuing role for the pro-

posed cross-border institution in shaping the island of

Ireland's approach to the EU.

The document might he

unveiled next month at a sum-

mit between Mr Major and Mr

John Bruton, prime minister

The two governments bope the framework document will

provide the basis of a lasting

political settlement in the

province. It will he the

starting point for talks involv-ing Northern Ireland's main

constitutional parties. Mr Major said yesterday there

was "no question" of imposing

a blneprint on the parties,

of the Irish Republic.

at the mercy of the nine rebel

ment contains.

ern Ireland's affairs.

from Westminster.

London warned of threat to 'world-class' city

London could lose its status as a world-class city if the British government does not invest in its infrastructure, business and political leaders warned yesterday. Without heavy funding of public transport, housing, the environment and educational training, London would fail to attract business and industry

which would locate elsewhere in Europe.

The warning came as a coalition of nine London organisations launched the London Pride Prospectus, which sets out a view of a better quality of life in the capital beyond the year 2000. It also called for extra government funds, claiming that in 1993 London paid 55bn (\$12.7bn) more in taxes than it

received in public investment.
Councillor Miles Young, leader of Westminster City Council. councillor miles roung, leader of westminster City Council, said: "Within Europe there are cities that are looking to knock London off its perch. Paris, with its economic development programme, is poising itself to take business enterprise away from London. So is Frankfurt, and in 10 years time Berlin will be assuming the characteristics of a world-class city." John Authors London

Economic growth continues

Britain's economy continued to grow at a fast rate in the final quarter of last year, boosting speculation of a further rise in bank base rates next month or in March. The Central Statistical Office yesterday estimated that gross domestic product, the total of goods and services produced in the UK. rose by a seasonally adjusted 0.8 per cent in real terms between the third and fourth quarters, increasing output in the final 1994 quarter by 4 per cent compared with the same three months

The figures marked the 11th quarter of growth since the trough of the recession. They slightly exceeded City expectations, although the latest quarterly growth rate was unchanged from the previous three months, and the year-on-year increase in GDP slowed from the third quarter's 4.1 per

National output in 1994 as a whole was estimated at 4 per cent higher than in 1993, giving the UK its best year of growth since 1988. However, last year's growth was above the 2 per cent-2.5 per cent annual rate thet is considered sustainable over the long term without stimulating inflation.

Gas chief defends pay rise

Mr Cedric Brown, chief executive of British Gas, has written to employees defending his 75 per cent pay rise in the hope of pre-empting criticism he expects today when he is examined by members of a House of Commons committee. In his letter, which British Gas employees will receive this morning. Mr Brown says: "They [the employment committee] will ask me about my pay and I will be answering their questions openly and fully, because the background to the issue has yet to be

It continues: "I will stress that unless we recruit and retain the right people, the right decisions will not be made about the future of our company". This is the first time Mr Brown has discussed the rise in his base salary from £270,000 to £475,000 since it was disclosed at the end of last year. The letter also indirectly blames the government's policy of introducing

greater competition to the gas market for the company's current programme of 25,000 redundancies.

Meanwhile, the British government sought to stem further controversy surrounding British Gas yesterday by giving an assurance that special services for the elderly and disabled would not be sacrificed under the liberalisation of the domes-

Robert Peston and John Kampfner, Westminster

Army reviews aircraft project

The British Army is considering the cancellation of a project for an unmanned aerial vehicle on which £227m (\$354m) has already been spent, according to a magazine report published today. The reconnaissance aircraft, known as the Phoenix UAV, is running six years behind schedule and project costs have more than doubled since the development and production contract was signed in 1985, says a report in Flight

The magazine says the Ministry of Defence has launched a high-level review of the project which would decide in the middle of this year whether or not to abandon the project, in which the prime contractor is GEC-Marconi. Defence ministry officials declined to confirm or deny the report, but the ministry has already acknowledged that there are technical problems with the project. Bruce Clark, Diplomatic Correspondent

Fraud Office 'should stay'

Britain's Serious Fraud Office should be retained in its present form, despite widespread criticism of its performance, an official government working party is set to recommend to ministers. The working party, which will report to Sir Nicholas Lyell, the attorney-general, is expected to recommend that the SFO ahould be kept as an independent organisation and enlarged, taking over a number of fraud cases currently handled by the Crown Prosecution Service.

The decision, if finally approved by ministers, will be wel-comed by SFO staff who have consistently argued that criticism of the office's track record has been excessive and unfair

a view shared by the attorney-general. It also reflects the
feeling among ministers and within the legal profession that whilst criticism of the SFO has been plentiful, few construc-tive suggestions have been made about how the prosecution of fraud can be improved. John Mason, Law Court Correspondent

Weather boosts vegetable prices

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The price of vegetables has risen sharply in past weeks because of shortages caused by last year's unusual weather. Industry officials say further rises may be in store. The average farm-gate price of potatoes has risen in £207 (\$329) a tonne compared with £70 at the same time last year, according to the Potato Marketing Board.

The potato shortage was caused by a drought last summer, which led to a smaller crop, and farmers planting fewer potatoes. For three years oversupply has produced poor returns. Potato production last year was down 700,000 tonnes on the 6.8m tonnes produced in 1993, said the board. Alison Maitland, Farming Staff

BA treated pilots 'unfairly'

More than 200 pilots who lost their jobs when British Airways took over small regional airline Dan Air two years ago were unfairly dismissed, an industrial tribunal ruled yesterday.

Three hundred and eight pilots were dismissed, but only 202 took their cases to the industrial tribunal, which will decide on their compensation this week. The maximum award in an industrial tribunal is £10,000 (\$15,900). Lisa Wood, Employment Staff

Girls ahead in school tests

Tha first-ever publication of national curriculum test results in England and Wales yesterday produced new evidence that

girls are out-performing boys academically.

These are the broadest standardised figures yet made available for seven- and 14-year-olds, and they confirm trends already revealed by league tables of results in GCSR exams, taken at 16. However, the figures are marred by the fact that only 22 per cent of secondary schools, and 55 per cent of primary schools, reported their results following the boycott of the tests by teachers' unions. John Authers



dam Hussein's regime.

by a commercial lobby group, the Iraqi British Interests (IBI) Group, which claims a growing membership and the support of Conservative members of par-

ish Steel, Dunlop International, La Rue and Boots.

before the Iraqi invasion of Kuwait was exporting up to £15m of goods to Iraq per year. There was also a representative of W.H. Atkins, an engineering consultancy group that helped design and construct a missile installation bunker for

Mr Stephen Crouch, a director of the IBI group, said that British commercial interests in Iraq risked losing out to European competitors such as France, which - he alleged - was taking a more relaxed atti-

He criticised the Foreign Office for its support for a continuance of the sanctions regime, and claimed that some sectors of Britain's Department of Trade and Industry were "sympathetic" to the views of

heen widespread scepticism have hrought the initiative to attending were United Pro- important to maintain contact will tell a conference on the Joe Rogaly, Page 14 initiative that he intends to among potential hidders, take-off point. jects, a trading company that with the Iraqi state." Veal crates 'doomed' across Europe, claims minister

By Caroline Southey in Brussels

Britain said last night thet it had won support from several EU member states for an eventual ban on the use of veal crates across Europe.

"Veal crates are doomed." Mr William Waldegrave, the British agriculture minister, said after a meeting of the agricultural council in Brussels. "The days of veal crates are numbered. My advice to farmers in the husiness is to get out now. This council is not going to protect the use of out the continent had received sup-

European agriculture ministers also backed an early review of the use of veal crates throughout the continent. Mr Franz Fischler, the new agriculture commissioner, said the review would be completed "as rapidly as possible". If pressed, he said, that

meant "within this year". Mr Waldegrave said that the British drive to ban the use of crates, which are used to raise white veal through-

port from Sweden, Denmark, Germany, Austria and Finland, adding that none of the other 14 agricultural ministers had spoken against the UK proposal during the meeting.

A senior council official pointed out that France, the largest EU producer and consumer of veal, had not spoken against the proposal at the meeting, although it noted that any new measures should take account of the economic interests of member states.

public outcry in Britain over the shipment of British calves for veal production in small crates in other EU countries, called on protestors to "pile in behind the progress" that had been made in Brussels. Although he condemned violent protestors, he said it would be necessary to maintain the political momentum to ensure the review was not delayed.

Mr Waldegrave said he had also felt more optimistic on the issue of the

Mr Waldegrave, who has faced a transport of live animals, although a battle still lay ahead on this front. British farmers export 500,000 calves a year, worth 100m, to the Continent. most for veal production in crates. Mr Douglas Hurd, the foreign secretary, yesterday signalled a tough UK line on majority voting at the European Union's 1996 intergovernmental conference as Mr David Davis. a mildly Eurosceptic minister, was named UK representative on the

organising committee.

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Barcelona. Southern Europe's* Financial Centre: Barcelona has more automatic cash dispensers per inhabitant than any other city in Europe. This demonstrates just how extensive and modern the city's banking system is. It as a symbol of Barcelona's tradition as a financial

centre. A tradition that is rarried on by the city's Futures and Options Market, one of the four most important in Europe, and its Securities Exchange, which has been trading for over a century. The world's leading financial institutions have already set up operations in Barcelona, which is rapidly becoming southern



FINANCIAL TIMES TUESDAY JANUARY 24 1995 *

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If your knowledge of world affairs needs to be as up to date as possible, you need a very particular source of information. One that not only reports events, but asks why they happened and goes on to discuss their likely consequences.

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higher survival rate for patients. Clive Cookson and Daniel Green continue a series by looking at the latest screening techniques.

IN THIS SERIES:

NOVEMBER 29

The growing toll of cancer worldwide. Why the disease is responding better to treatment in th oung. The worldwide market for cancer drugs Who is spending what on

DECEMBER 13

lauses and prevention. Smoking, Diet and food ipplements. Sunshine and skin cancer. Chemicals and other invironmental causes. /accines against cancer-Antibiotics to prevent stomach cancer.

FEBRUARY

Drugs to kill rapidly tividing cancer cells Reducing multi-drug esistance. Anti-nausea drugs and other ways of educing side effects. formone-based herapy. Herbai and alternative remedies.

MARCH

Radiotherapy. X-rays. Gamma rays. Neutron beams. Heavy ons. Magic bullets. Antibodies and fusion toxins aimed at cancer

Genetic treatment and

other biotech approaches. Gene therapy and antisense. Cell migration and achesion. Apoptosis and cell suicide. immunostimulants. Cell growth tactors. Interferons and iterleakins.

Early detection of cancer means a

Detectives on the case

we can't wait. We must start to eval-

uate the services that will be needed

The showpiece is cancer of the cer-vix. The UK national cervical screen-

ing programme, started in 1988, now

gives Pap smears to 80 per cent of

women in the target 20-64 age group. (The test detects abnormal cells in

the cervix.) The programme is cred-

ited with reducing deaths from cervi-

cal cancer at a time when the under-

lying incidence of the disease is

rising, screening may be saving as

many as 2,000 lives a year in the UK.

controversial. Many specialists doubt whether the potential benefits justify the costs of screening and the

anxieties aroused in patients.

But screening for other cancers is

"It's no good having a screening

programme unless you can do some-thing about the disease when you

diagnose it - and in a lot of cases

yoo still can't," says Sir Richard Doll

of the Imperial Cancer Research

Fund unit in Oxford, "For breast

cancer, screening is worthwhile for

women over 50 but there is no clini-

cal evidence that it does any good

The American Cancer Society rec-

ommends checking men over 50 for

prostate cancer through an annual

suggested that mass prostate screen-

ing might be counterproductive

because side-effects of treatment

would outweigh any saving of lives.

for younger women."

ise - is much further advanced.

by those who are at high risk." The second type of screening -non-genetic testing for early signs of

ing, because there still isn't very he sooner cancer is diag-nosed, the better the much we can do for someone who has a breast cancer gene, for examchances of curing it. That ple," says Karol Sikora, professor of clinical oncology at the Hammersimple rule has stimulated a huge research effort to detect early smith Hospital. London. "But there signs of the disease before the is tremendous commercial pressure to get these kits on to the market, so patient feels any symptoms.

There are two parts to the strategy both of which are, rather confus-ingly, sometimes called "screening".
 The first is to identify individuals who have inherited a high risk of developing cancer. Traditionally, researchers have done this through tracing family histories; such studies can tell people that they may be at risk. Research into cancer genes is producing tests to pinpoint exactly who is and who is not at high risk from particular forms of inherited

cancer (see article below right). The second stage is to spot early treatment can begin. A wide variety of imaging and chemical tests are being developed for this purpose (see article above right).

Genetic testing will be carried out first on volunteers from known cancer families. Screening of the general population for cancer genes still lies a long way in the future. The tests themselves have to be made faster. more convenient and more reliable than the ones available experimentally today - and social and ethical issues must be addressed.

One of the most emotive issues will be the attitude of health and life insurance companies to genetic screening. This may not make much difference in practice to people known to have a family history of cancer, who may already have to pay higher insurance premiums. But the threat of "genetic discrimination" resulting from positive tests would be a huge disincentive to population screening.

Some cancer specialists feel that they are being pushed too quickly towards genetic screening, even for cancer families. "Ideally we should wait 10 years before we begin screen-

healthy tissues. Some show up on X-rays and through other imaging techniques, and some trigger the production of "markers" such as hormones which can be detected in blood tests.

Doctors use both approaches for diagnosis and to monitor the effectiveness of treatment and detect any recurrence of the cancer.

The radiologist has a battery of imaging tools to choose from Each has pros and cons in cancer.

 Conventional X-rays remain important in cancer detection in opaque bones and virtually transparent lungs. But they do not show soft tissues well and so are not suited to studying densely packed areas of the body such as the head and neck.

Ultrasound, like radar, uses the

echoes from high frequency vibrations to produce a moving image of the inside of the body. The equipment is portable, relatively simple to use and good at detecting tumours in solid parts such as in the liver and ovary. The latest machines use the Doppler effect to detect the motion of blood in vessels that feed tumours. But ultrasound images are impaired by bone and air. Like conventional X-rays, the viewpoint for the image is limited to being outside the body.

· Computed tomography (CT) is X-ray information processed by a computer to give detailed cross-sectional images inside the body. The clear pictures provided by CT have given the technique a central role in cancer medicine, especially with the development of injectable "contrast agents" that can pick out internal features. Nevertheless, it can be hard to distinguish between benign and malignant tumours and between different kinds of soft tissue.

 Magnetic resonance imaging (MRI) pictures are better than CT at give off energy which is picked up



A clearer picture: this MRI scan of the brain shows a tumour pointed out by an arrow

The image of a diagnosis

distinguishing between different kinds of soft tissue such as muscle and skin. MRI works by aligning the water molecules in a patients' body with a vast magnetic field. A hurst of radio-waves then knocks the molecules out of alignment. As they snap back into position, the molecules

by detectors and turned into an image with computers.

 Positron emission tomography (Pet), still largely a research tool, has potential in cancer treatment. A patient is given a material, often glucose, that feeds dividing cells such as those in a fast-growing tumour. The glucose is radioactive and emits

sub-atomic particles called positrons or anti-electrons. An anti-electron quickly encounters a normal siectron and they disappear in a flash of energy which is picked up by detectors and, once again, terned into an image with computers.

Impressive as these techniques are, none is yet powerful enough to give doctors a complete analysis of a cancer. A diagnosis based on imag ing must normally be confirmed with a biopsy - the extraction of a sample of the suspect cells for laboratory analysis. The biopsy also reveals details about the cancer cells that cannot be seen in images. The biopsy needle is often guided to the right place with the help of imaging.

The scans show whether a tumour is capable of surgical removal — if it has spread, it is not — and help the surgeon plan the operation.

After treatment, imaging is used to see how the tumour is responding to the treatment. With tests over time it can show whether the

tumour is beginning to grow again.
Here, imaging overlaps with the
use of cancer markers. Marker tests are inconclusive as diagnostic tools because false negatives and positives occur. Some malignant tumours do not make markers and some benign ones do But once a cancer is confirmed, the presence of markers such as prostatic specific antigen and car-cincembryonic antigen for prostate and bowel cancers respectively, help monitor the progress of treatment and can alert the doctor to a relapse. Both imaging and marker detec-tion are continually refined. New

markers may improve the sensitivity of the technique. The latest MRI and CT scanners can show moving pictures, while new contrast agents promise to show internal features that were previously hidden.

DG

Pressure grows for genetic testing

he number of known cancer genes has been increasing exponentially since the original one was identified 20 years ago. The past year's bumper crop of discoveries, including the first breast cancer gene BRCA1, brings the tally of genes implicated in buman cancer

to about 50. They fall into two categories. "Oncogenes" are natural molecular accelerators in which mutations cause runaway cell growth. blood test and quick physical exam. But a study by the University of Toronto, published last autumn, "Tumour suppressor genes", in con-trast, normally put the hrakes on excessive proliferation; when mutations put them out of action, cancer

> All the new information will make it possible to screen people for genetic predisposition to a wide range of cancers. Researchers esti-

can get started.

mate that roughly 5 to 10 per cent of common cancers are triggered by inherited mutations; the remainder result from genetic changes in the course of an individual's lifetime, caused by environmental factors and random changes during cell division.

No cancer gene tests are yet in routine clinical use, bowever, and despite much recent publicity about their implications - researchers say several important issues will have to be addressed before widespread genetic screening can be introduced. Some are technical problems about developing simple and accurate tests. Others are social and political, including the risk of genetic discrimination" by insurers

and employers.

The technical challenge of developing a test for inherited cancer

genes is much greater than for sim-ple genetic diseases, such as cystic fibrosis or Huntington's chorea, in which most or all cases are caused by a single mutation on a single

gene.
"We are finding that disease-causing mutations in cancer genes are diverse and scattered all along each gene," says Mike Stratton, of the Institute of Cancer Research and Royal Marsden Hospital in London. who is a leader in the international

search for breast cancer genes. His colleague Ros Eales points to the test which ICR offers experimentally for Li-Fraumeni Syndrome, a rare disease caused by inherited mutations in the p53 tumour suppressor gene. "We quote at least three months to get a result," she says. "The procedure for the breast

cancer gene BRCA1 is likely to be even more difficult because it is 10 times larger than p53."

Even so, Stratton expects a test for BRCA1 to be available commercially within 18 months. "But people shouldn't expect it to be quick and simple, like a pregnancy test."

Companies working on genetic tests include Myriad of Utah (breast cancer) and Cellmark Diagnostics of the UK (colo-rectal cancer).

In preparation for the time when genetic tests become widely available, the Royal Marsden and other cancer centres are planning screen ing services for people whose family histories show they may be at risk. Screening the general population is a more distant prospect.

CC

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AUCTIONS

NOTICE OF AUCTION

Execution on. 71/89 versus SUIZO SARDA Spa with main office in

described herewith will take place: Hotel complex named Hotel Capo Boi in Villasimius, Capo Boi. registeristed at the Land Registry Office under F 19 maps 31/a, 32/a, 34, 50, 51, 63/a, 69 1/2 and 101; subject to amnesty charges. Base price: Lit. 9,000,000,000

Residual amount to be paid within 30 days from adjudication in

compliance with the Consolidation Act regulations on mortgage credit. DIRECTOR'S COURT E. MENEGUZZI

NOTICE OF AUCTION

Execution no. 45/88 versus EDISAC Immobiliare 5rl. On 9th March 1995 at 11.30 a.m. the auction sale of the building described herewith

Tourist complex io Villasimius. Capo Boi, consisting of 40 accommodation units with various appurtenances, registered at the Land Registry Office under F 19 maps 33, 35, 10, 32/B, 69/S, 69/L, 69 1/8.

Minimum progressive bid: Lit 500,000,000

Deposit and fees: 30% of base price to the Court's office by 6th March

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For Buther Information, please contact Kevin Willmott or Anthony Lucas at Coopers & Lybrand, Churchill House, Churchill Way, Cardiff CF1 4XQ. Telephone: (0222) 237000. Fax: (0222) 345828.



REPUBLIC OF POLAND MINISTER OF PRIVATIZATION

Invites Tender Offers

Concerning Purchase of Shares in Share Capital of the Kalisz Concentrated Food Works "WINIARY" Joint-Stock Company

The Minister of Privatization, acting on behalf of the State Treasury of the Republic of Poland, in accordance with Art. 23 of the Law on Privatization of State - Owned Enterprises of July 13, 1990 (Dz.U. nr 51/90 item 298 with further amendments) invites teoder offers of potential investors interested in purchasing shares constituting at least 10% of share capital of 'WINIARY" Joint Stock

According to Art. 24 point 1 of the Law on Privatization of State - Owned Enterprises a stake of up to 20% of shares in share capital of "WINIARY" S.A. will be offcred to the Company employees. According to Art. 24 point 7 of the Law oo Privatization of State - Owned Enterprises a stake of up to 20% of shares in share capital of "WINIARY" S.A. will be offered to the Company employees. According to the Resolution of the Council of Ministers. no. 86 of October 4, 1993, a stake of 5% of shares in share capital will be retained by the State Treasury as the State Treasury Property for

The Kalisz Concentrated Food Works "WINIARY" Joint Stock Company with the seat in Kalisz, Poland is the leading Polish manufacturer of concentrated food, particularly powder soups, fruit jellies and desserts, seasonings, powder creams, mayonnaise and salad dressings, baby and infant food,

Any requests and response of potential investors being interested in proceeding with this offer should be directed till February 10, 1995, 4:00 pm to the Polish Institute of Management, Ltd. (PIM) acting on behalf of the Minister of Privatization in this project.

Address: Polish Institute of Management, Ltd. (PIM) 02-691 Warsaw, St. Obrzezna 7 phone (48 22) 47 51 73; (48 22) 47 55 61 ext. 434-436; fax (48 22) 47 50 53

e mail: pimpl@maloka.waw.pl Transaction manager. Ms Jagoda Szooert.

Information on the Company profile will be distributed to potential investors after signing up the appropriate "Letter of Confidentiality".

The Minister of Privatization reserves the right to extend the period allocated to offer submission, reject submitted offers or not to undertake negotiations without explanation.

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- Sales & Marketing departments
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- For further information please contact the Joint Administrator ad interim.
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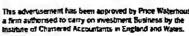
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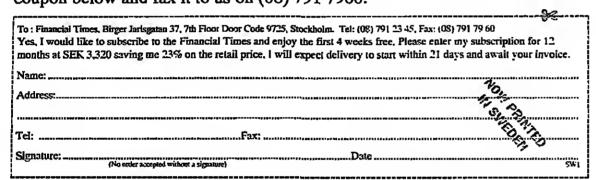
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INTERNATIONAL PEOPLE

RTZ fills gap in minerals

■ Gordon Sage, 47, chief executive of RTZ Borax, assumes responsibility for the group's industrial minerals businesses replacing Ian Strachan, 51, who is to be chief executive of BTR. Sage joins the RTZ board on April 1. ■ J Roland Williams, 55, co-or-dinator natural gas and coal for Royal Dutch Shell, chairman and chief executive of Shell Australia. He succeeds Ric Charlton, retiring in April

after four years in the post. ■ Peter Hellman, 45, president and chief operating officer of TRW. Hellman, TRW's former chief financial officer, replaces Ed Dunford who has retired after 30 years with TRW. Hellman was general manager of crude oil supply and trading at BP America before joining TRW in 1989 as treasurer. ■ Marco Molinari, 35, Goodyear's European sales and marketing director, is appointed chairman and managing direc-

William B Hirsch who is returning to the US. ■ Glenn H Gettier, 52, former chief financial officer of USLICO Corporation, chairman and chief executive of Dallasbased Southwestern Life Corporation. He replaces Robert L. Beisenherz who resigned last

tor Goodyear Great Britain.

Swedish-born Molinari replaces

■ Christer Forsström, 51, after 25 years with Electrolux, takes over as managing director of TV4, Sweden's main commercial TV channel, on April 1. Lars Weiss, TV4's programme director, has been appointed deputy managing director.

■ Jeremy Seddon, 53, a director of Barclays' BZW investment banking division, chief executive for Barclays Bank and BZW in India. He will be based in Bombay.

James W Conrow, a former

executive vice president of the

Inter-American Development Bank, senior vice president ICF Kaiser International, He will manage ICF Kaiser's offices in Latin America. ■ Mohsen Fahmi, 39, a former chief investment officer at the World Bank, head of leveraged

investments unit at Salomon Brothers Asset Management in London. Fahmi joins Salomon from Goldman Sachs. ■ Susan Cook, Tandem Computer's vice president human resources, is moving to Eaton

Corporation in the same role. She replaces John D Evans who retires in June. ■ Andrew Pinder, 47, Prudential Assurance's director of

information technology, to head Citihank's European operations and technology. William C Hunter, 46, a vice-president at the Federal Reserve Bank of Atlanta, sentor vice president and direc-tor of research at the Federal Reserve Bank of Chicago from

March 1 ■ Carl Painter, 49, head of BICC's North American cablemaking business, a director of

■ Dan Tyree, 46, chairman and

chief executive Lehman Brothers Europe, to be chairman and chief executive Lehman Brothers Asia. He replaces Jim Carbone, 42, who is returning to New York to head Lehman Brothers Global Asset Management. Bruce Lakefield, 50, head of Lehman's Multiple Trading Ventures Group, takes over as head of Lehman Brothers Europe. ■ Mathieu Giovachini, previously with Bear Stearns in Hong Kong, to head Standard Chartered's Singapore-based

derivatives trading team cover-ing the Asia Pacific region. Bo Van Wijk, previously with Phibro Energy and Chemical Bank, to be head of commodity derivatives in London. ■ Danforth Austin, 48, a former Wall Street Journal reporter, as general manager of the Wall Street Journal. He replaces Kenneth Burenga, president and chief operating officer of Dow Jones, the WSJ's

parent. Karen Elliot House, 47, a former foreign editor of the WSJ and currently vice president, international, succeeds James H Ottaway as president of the International group. Dorothea Coccoli Palsho, 47. vice-president information services, to be president of Dow Jones Business Information Services. All three will report

International appointments

to Burenga.

We hope to create in these columns a comprehensive listing of senior appointments in international companies. Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

Net book ruling

EUROPEAN

appeal brought by the UK Publishers Associa-1992 ruling by

upholding a European Commission decision condemning the PA's resale price maintenance agreements for books.

ditions for the sale of books at fixed prices. These "net" books may not be sold to the public at less than the net published price. The conditions apply to all sales in the UK and Ireland hy a wholesaler or retailer when the publisher decides to market a book at a net retail The Commission's 1988 deci-

sion found the agreements infringed European competition rules, to the extent that they covered the book trade between member countries. and refused the PA's application for an exemption.

the stated objectives, namely avoiding a decrease in the

The PA appealed against the CFI's rejection of its case that the Commission's decision was not properly reasoned. The ECJ set aside the CFTs judg-ment. The Court said it was wrong in law since it did not review properly the Commission's assessment that the restrictions of competition resulting from the NBA were not indispensable.
In particular, the CFI failed

to take into account the consequences of the existence of a single language area forming a single market for books in Ireland and the UK. In so doing it ignored the need to determine whether any negative effects which abolition of the agreements might have on the Irish market were relevant to the assessment of whether the restrictions were indispensable in the context of the Community, rather than the national,

is overturned



the Court of First Instance

According to the CFTs judgment, the "net book agree-ments" lay down standard con-

The Commission said the restrictions imposed by the agreements were not indisnumber of stockholding booksellers, a fall in sales, smaller print runs and hence a rise in

Moreover, the ECJ found the CFI's reasoning was marred

The European with regard to the distinction between the national and intra-Community effects of the NBA. The ECJ said the CFTs view that consideration of the economic benefits of an agreement was limited to those that occur only on the territory of the member countries where the agreement parties are established and not of others was incompatible with Community

Hillitte.

أنثيب

The ECJ also said the CFI failed to rule on the PA's contention that the past findings by the British Restrictive Practices Court (RPC) that the NBA was indispensable applied to the international book trade and to sales in national territory of books produced nationally, which the Commission

ignored.

The Court went on to overturn the Commission's decision, accepting the PA's two arguments that the decision was wrongly reasoned. Both showed the decision failed to take proper account of the PA's argument concerning the negative effects of the decision on intra-Community trade and in particular the book market in Ireland.

First, the ECJ held that the decision contained no explanation of why the decisions of the RPC were not relevant with

RPC were not relevant with respect to the indispensability of the restrictions of compet-tion in view of an existence of a single language area formed by the British and Irish mar-

reliance on its 1992 decision in the Dutch Books case was manifestly inappropriate and constituted a defect in the

mannestry mappropriate and constituted a defect in the statement of reasons.

In that case the Commission had said that a collective resale price maintenance system involving the restriction of competition between member countries was not indispensable for achieving its stated economic benefits.

But the Flemish and Dutch publishers associations' system differed from the net book agreements. The UK agreements provide for uniform standard conditions for the sale of books at a fixed price only if the publisher chooses to market the book as a "net book". The Dutch system imposed resale price maintenance on all publications and prevented any competition prevented any competition with non-recognised publishers and booksellers. C-360/92 P. Publishers Associ-

ation v Commission, ECI FC January 17, 1995.

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ARTS

To be taken on Trust

William Packer reviews three exhibitions with a purpose

ooner or later, any conscientious critic is likely to find himself roped into arty good works of one sort or another: a turn perhaps on an advisory committee, or exhibition jury. He might even be asked to contribute something of his very own. for the good of the cause. We all do our hit, and it just so happens that three of my own pet projects have exhibitions on in London at this

This, we know, is the year of the National Trust's centenary, and Centenary, the show now at Christie's, Kings St. London SW1 until February 2, in which contemporary Brit-ish artists celebrate the achievement of those 100 years, seems straight-forward enough. But there is more to it than that, since its purpose is also to raise funds for the trust's Foundation for Art. I have been a member of the foundation's committee almost since its inception some 10 years ago.

Fund-raising? For the National Trust? I can almost hear the eyebrows cracking. But the need is simple enough. With the trust being in principle a charity dedicated to the protection and conservation of its properties, for it to put any of its revenues from subscription and bequest towards new, indeed modern art, could well be construed as

Yet artists through the ages have been responding to the landscapes of which the trust is now the custodian, and its great houses are stuffed with work that was manifestly modern art in its time. And the life-span of the trust itself represents by now a large proportion of that of many of its houses. To suppose that the history of a property is sealed with its accession to the trust, or that the response of artists thereafter is of no account, is clearly nonsense.

The National Trust's Foundation for Art is an enabling body with its own resources, encouraging artists of all kinds to work with the trust, arranging exhibitions and commissioning particular works for its collections. All such approaches, and the full variety of the trust's boldings, are represented in this exhibition, from Jeffrey Camp's vertiginous view from Beachy Head, to the delicate roof-scape at Chastleton by Gus Cummins, and Maggi Hambling's abstracted sunrise over the Orwell Estuary, with affectionate satires from Gten Baxter and Posy Simmonds thrown in for

The artists range from the established to the aspiring the abstract to the figurative, the young to the old. from such as Adrian Berg, Carel Weight and Gillian Ayres to Sarah Armstrong-Jones and Joy Girvin. They all understand, and have come to support in the most practical fashlon, what the foundation is about and has achieved in its short life. It is now for the public to do the same.

he annual Hunting Prize Exhibition, now at the Royal College of Art, Kensington Gore, London SW7 until January 29, was set up some 15 years ago, since when it has developed into one of the principal fixtures of its kind in the art calendar. For the past few years, I have been a member of its selection panel. It is not the largest of such prizes but, at £20,500 overall and £10,000 to the winner, is not insignificant. Entry is open to paintings, prints and drawings, up to three per artist, and it now attracts a submission of nearly 3000

Its constituency is neither avant garde nor reactionary, though neither is excluded. All is judged on its merits, and if there is comparatively little abstraction, that is only because comparatively little was submitted, to our disappointment - an open exhibition, after all, can only reflect what is sent in to it. What it does reflect is the strength, variety and professionalism of those artists who stand on the middle ground of British art.

It is particularly pleasing that a drawing, a meticulous study of a woman hy Warren Baldwin, won the second prize this year, and also that there was a strong entry from younger artists, to whom two prizes are reserved. Mary Griffiths won first prize with an ambitious yet darkly ambiguous figure composition. All the principal prize-winners - there is also a Travel Award - are allowed to show extra works, and these displays, to



MAINTAINING NATIONAL TRUST PROPERTIES OFTEN REQUIRES EXCEPTIONAL LEVELS OF SKILL AND ATTENTION TO DETAIL

'A little light pruning', 1994, by Glen Baxter in the 'Centenary' exhibition

judging, come as welcome reassur-

ance that we got it right.

The Venice in Peril show at Patterson, Albemarle St, WI until February 11 has also become an annual event, a wide-ranging anthology of images of

eyes numbed through three days of la Serenissima by those many artists Peril, that remarkable organisation who, old and faded as she is, still cannot resist her - Tom Coates, Diana Armfield, Peter Kuhfeld, Leslie Worth. Pamela Kay and many more. Since I am one of them. I had better not say more, save only that Venice in

set up by the late Sir Ashley Clarke nearly 30 years ago as an example to the rest of the world, still works its own magic on a shoe-string. If we count ourselves civilised, it deserves

Theatre/Sarah Hemming

Greek tragedy in a trailer park

their hands with glee. as the London fringe theatres fill up with plays ahout violence. Hard on the heels of the controversial Blasted at the Royal Court comes Tracy Letts' Killer Joe at the Bush, another disturbing account of the roots and effects

Letts' brilliantly controlled play, however, works hy stealth. From the opening scene with its grim domestic scenario you realise that something dreadful is bound to happen, hut Letts soothes and seduces you with humour, so that when the violence finally does erupt, like the lid blowing off a pressure cooker, it is shocking, terrifying and leaves you reeling from the theatre. What is salient about this is that we know that most violence in America is domestic: here. Letts, a Chicago actor turned writer, shows you how

it comes about and, more

worrying exploration of moral inadequacy Letts sets his play among a

Texan family so disfunctional they make the Addams family look exceptionally well adjusted. They live physically in a depressing trailer-home outside Dallas and spiritually in a barren wasteland. As we meet them, Chris, a hopeless youth enthralled to some moh, has decided that the solution to his financial problems is to kill his estranged mother and cash in her insurance policy. and he is busy convincing his

father, Ansel, of this fact. Now anyone with half a hrain would see that this idea is fraught with danger, hut Chris and Ansel do not have half a brain between them, so they deduce that this is a good plan and engage the services of "Killer Joe", a suave and terrifying bent cop. They reckon

without two things: the machi-

urveyors of stage importantly, why. And it is nations of Ansel's second wife, tion of Dottie is like watching blood must be rubbing only one aspect of a blackly and the fact that Killer Joe will a spider move in on a fly, yet it the family, the sweet but emotionally retarded Dottie. When Joe demands Dottie as a down payment, the men, outrageously, agree, dispensing with her virginity as easily as they

> The plot is as callous as a Greek tragedy, while there are echoes of other writers - Shepard. Faulkner, even Tennessee Williams. But Letts makes the territory his own, with his assured style and expert manipulation of mood and tension. He is well served by Wilson Milam's highly-charged. muscular production, which is full of grimy realistic detail - a kitchen so filthy your fingers itch for a damp cloth, a fridge empty but for a crate of beer, a television that is always chattering away - hut also seethes with atmosphere and sudden surprises. Joe's candlelit seduc-

do with her mother's life.

You watch, aghast, as the sophisticated thug takes control of this hopeless, deracinated family. The cast is superb. Eric Win-

zenried is thoroughly chilling as the smooth, balding, snakeeyed Joe; Mike Shannon, as Chris. mumbles with inexpressible rage, and Marc A Nelson, as the dopey, beer-bellied Ansel, drips with inadequacy. Holly Wantuch is acidly funny as Ansel's razor-thin grasping second wife and Shawna Franks is compelling as Dottie, the only character with an ounce of real power. It is a powerful, funny and very sad play, and though its portrait of moral decrepitude is exaggerated for comic effect, its point is deadly serious. Letts offers a furious portrait of an under class so hopelessly

corroded by poverty and denial, that violence is the only

means left of self-expression.

not with a concert, but a master-class "rehearsal" with full orchestra and three novice con-

Recital/Richard Fairman

Borodin Quartet

ven during the darkest days of the Communist era music shone with a positiva glow out of the Soviet Union. Just as soloists like Richter, Vishnev-skaya and Rostropovich were giants in their field, so the Borodin String Quartet stood out as first among equals, an ensemble of which the great tradition of Russian musicmaking could be proud.

During 1995 it is engaged on an extensive tour that will take the players to every corner of Europe. This year the quartet is celebrating its golden jubi-lee, though the term has to be taken with some licence, as the marriage of the four musicians has been far from constant. Founded in 1945, the group was originally called the Quartet of the Moscow Philharmonic and it was only after a change of name and various divorces, as players left and others joined, that the present tine-up was formed in 1976.

Despite all that coming-andgoing, the music-making has remained at the highest level throughout. The post-war era has seen a number of eminent string quartets come to prominence, but the Borodin's place in history is assured. Its ability to survive through self-renewal has meant that it has stayed at the top longer than the others and - more important - its name will always be associated with the greatest composer of the string quartet from the post-war period.

That composer was Shostakovich. The Borodin's complete recording and live cycles of his 15 quartets (memorably at the QEH in 1986) may be inevitable that Shostakovich would feature on the 1995 tour and two of the three programmes at the Wigmore Hall include his chamber works. The first recital on Sunday ended with exemplary performances of the Seventh and Eighth Quartets of the kind we have come to expect - etoquent, understated, deeply thought out.

No other four players have so sympathetically exposed the "other" Shostakovich. Broadly speaking, the symphonies and the quartets reveal the two sides of the man - the one public, the other private. While some ensembles accentuate the harsh intensity that is still present in his quartet writing, the Borodin players move in a world of the subtlest halflights, where every shade of grey reflects another corner of the soul. These performances came closer than ever to the doubt and despair that is hidden deepest inside.

In each of the three anniversary programmes there will be a Russian guest. In fact, at Sunday's recital there were two, the viola player Yury Bashmet and cellist Mikhail Milman, who joined their Borodin colleagues in an achingty lyrical performance of Tchaikovsky's String Sextet, Souremir de Florence (even in this company Bashmet's inimitable tone-colouring spoke with dis-tinction). The other invitees will be the cellist Natalia Gutman and pianist Eliso Virsa-

Two further recitals at the Wigmore Hall on January 25

Concert/David Murray Boulez at 70

ierre Boulez is cele-brating his 70th birthday with a London Symphony concert-series here; and in Paris next, and then in Vienna, New York and Tokyo. Nowadays such events get automatic cloning, even when the artist is as rarefied a figure as Boulez. In his case it is enough that he has a cosmopolitan reputation for conducting a special repertoire, with the further aura of a composer understood to be a major mid-century revolutionary though few among his current audiences could identify anything more than odd bars from Le Marteau sans moitre as

In fact each of his six Barbican programmes (two of them repeated) includes a work of his own. A sampling from his oeuvre, rather than a proper conspectus; they are too disparate to let newcomers join up the dots and discover exactly how the composer has developed over 40 years. (Three early pieces, ohsessively recomposed later; from the start of the 1960s, one of the sections of the huge Pli selon pli that he has not formally "withdrawn" from performance; two fanciful, ravishing works from later.) Prudently. every concert bills a famous soloist - Barenboim, Pollini, Mutter, Kyung-Wha Chung, Jessye Norman and Rostropovich, of whom only the last is going to play some Boulez.

Boulez hegan on Thursday

ductors, which attracted a keen audience. His practical address is fabulously precise in the early days, indeed, his upraised-palm semaphoring suggested one of those mimes who like to be trapped in invisible glass cages. The technique is smoother now, but just as exact and practical: no show, no soulful "expression". Next to him, every student's beat looked illegibly vague. The house was full for Sun-

day's concert, which like all those to come consisted of 20th-century classics that Boulez admits to his canon (many other are sternly excluded). As usual his account of Webern's ground-breaking Six Pieces, op was magisterial, translucent, luminous. His own Notations, based on piano sketches fifty years old, were brilliantly pointed; Stravinsky's Song of the Nightingole glittered barharically (the start was much quicker than he had let his students attempt on Thursday)

Only Bartok's First Piano Concerto, with Daniel Barenboim as soloist, betrayed rough edges. Though it is an increasingly rare pleasure to hear Barenboim at his own instrument, there were a lot of fingerslips this time, as well as lashings of forceful character, and some plain disarray between orchestra and piano. The general effect was bracing enough, but it is unusual for Boulez to he content with mere general

at the Barbican Hatt until March 9.

The Bonlez series continues



Superb: Eric Winzenried and Holly Wantuch in

Tracy Letts' disturbing play, 'Killer Joe'

AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345 Semiramide: by Rossini. ion Marin conducts the Royal Symphony Orchestra at 1 pm; Jan 28 Tha Royal Concertgebouw Orchestra: Valery Gerglev conducts Bartok and Stravinsky at 8.15 pm; OPERA/BALLET

Het Muziektheater Tel: (020) 551 L'Italiana in Algeri; by Rossini. Produced by Oano Fn. conducted Alberto Zedda at 8 pm; Jan 24, 26

BERLIN

GALLERIES Neue Nationalgalerie Tel: (030) 266

 George Grosz, Berlin-New York: exhibition of the German Dadaist who emigrated to the US; to Apr 17 OPERA/BALLET

Deutsche Oper Tel: (030) 341 9249 Aida: by Verdi. Conductor Stefan Soltesz, productinn by Götz

Friedrich at 7 pm; Jan 25, 28 (8 pm) Ballat Evaning: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetlay and Harris Mandafounis choreograph works by Oebussy, Poulenc and Stravinsky at 7 pm; Jan 27 (7.30 pm) Der Fliegende Holländer: by Wagner, Conducted by Heinrich Hallreiser, production by Gustav

Rudolf Sellner at 7 pm; Jan 31, Madama Butterfly: by Puccini. Conductor Sebastian Lang-Lessing production by Pier Luigi Samaritan at 7 pm; Jan 26 (7.30 pm)

■ FRANKFURT

CONCERTS Atte Oper Tel: (069) 1340 400 North West German nilharmonle: with soprano Gail Gilmore, and conducted by Michail Jurnwski plays a variety of operatic pieces at 8 pm; Jan 28 Philharmonia Orchestra London: with pianist Tzimon Barto, and conductor Lawrenca Foster plays Beethoven and Brahms at 8 pm; Jan

 Saarländ Radio Symphony Orchestra: with planist Bella Davidovich, and conducted by Marcello Viotti plays Mozart, Chopin and Schubert at 8 pm; Jan 25

■ LONDON

Barbican Tel: (071) 638 8891 Pierre Boulez: conducts the London Symphony Orchestra with soprano Jessye Norman and the London Symphony Charus as part of his 70th birthday celebration. Music Includes Berg, Bartok and hia nwn, 'Livre pour cordes' at

7.30 pm; Jan 24, 26, 29 Festival Hall Tal: (071) 928 8800 Handel: Messiah: Charles Francome conducts the Royal Philharmonic Orchestra and soprano Turid Karlsen, contratto Ruby Philogene, tenor Hirohisa Tsuji and bass Hubb Claessens at 7.30 pm;

 Philharmonie Orchestra: conducted by Lawrence Fister plays Rossini, Paganini and Tchalkovsky at 7.30 pm; Jan 30 Royal Philharmonic Orchestra: with soorano Galina Gorchakova

and conductor Valery Gergiev plays Wagner at 7.45 pm; Jan 24, 31 Tha London Philharmonic: jazz meets the symphony. Lalo Schifrin conducts this fusion of classical and jazz traditinns at 7.30 pm; Jan 29 Vienna Philharmonic Orchestra: Bernard Haitink conducts Bruckner's Symphony No. 8 at 7.30 pm; Feb 2 Queen Elizabeth Hall Tel: (071) 928

8800 The 1995 Mozart Birthday Concert: the Britten Quartet with Norbert Blume (viola) and Leon McCawley (piano) at 3 pm; Jan 29 GALLERIES

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English National Opera Tel: (071) 632 8300 Figaro's Wedding: in house dabut for conductor Demick Inouya al 7 pm; Jan 26, 28

OPERA/BALLET

 Rigolettn: Jonathan Miller's updated version of Verdi's opera where the duke ia a mafla boss at 7.30 pm; Jan 27; Feb 1 Royal Opera House Tel: 071 340

 Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidó. In Italien with English surtitles at 7 pm; Jan 25, 28, 31 Otello: by Verdi. Conductor Carlo

Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 24, 26; Fab 1 Troilus and Cressida: by Walton. An Opere North production conducted by Richard Hickox and directed by Metthew Warchus at

7.30 pm; Jan 30; Feb 2

THEATRE National, Olivier Tel: (071) 928 2252 The Merry Wives of Windsor: by Shakespeare. Terry Hande directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistre Fnrd at 7.15 pm; Jan 27, 28 (2 pm),

■ NEW YORK GALLERIES Museum of Modern Art Tel: (212)

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by Mascagni/Leoncavalln. Production by Franca Zefirelli, conductor Christian Badea at 8 pm;

L' Elisir d' Amore: by Donizetti.

Produced by Jnhn Copely, conducted by Edoardn Müller at 8 pm; Jan 24, 28 Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 25, 28 (1.30 pm) Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco, James Levine conducts the opening night cast nf Cheryl Studer, Placidn Domingo and

 Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi at 8 pm; Jan 27, 31

Vladimir Chemov at 8 pm; Jan 28,

PARIS CONCERTS

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24 London Symphony Orchestra: with soprano Jessye Norman. Pierre Boulez conducts Berg, Bartók and his own compositions at 8.30 pm; Feb 1, 2 National Orchestra of France:

with violinist Sarah Chang and conductor Charles Dutoit plays Ravel, Lalo and Stravinsky at 8.30 pm; Jan 24, 26, 27 Viennese Philharmonic Orchestra: Bernard Haitink conducts Bruckner at 8.30 pm; Jan 30

WASHINGTON CONCERTS

Kennedy Center Tel: (202) 467

 National Chamber Orchestra: tenth anniversary gala concert with the Washington Bach Consort. Piotr Gaiewski conducts at 8.30 pm; Jan

GALLERIES Sackler Tel: (202) 357 2700 A Basketmaker in Rural Japan: examples of all 103 designs by Hiroshima Kazuo, the worlde greatest basketmaker, to Jun 9 OPERA/BALLET

Washington Opera Tel: (202) 416 7800 Semele: by Handel. Conducto Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Feb 2

 The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 25, 30; Feb 1 Vanessa: by Samuel Barber.
 Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 28, THEATRE

Arena Stage Kreeger Theater Tel; (202) 554 9068 Hedda Gabler: Hanrik Ibsen'a drama, directed by Liviu Ciulei and translated by Christopher Hampton at 7.30 pm; from Jan 27 to Mar 19

(Not Mon) Arena Staga, Fichandler Theater Tel: (202) 488 3300 Long Day's Journey into the Night: Eugene O'Nelli's classic American drama, directed by Douglas Wager at 7 pm; to Feb 5

(Not Mon) Studio Theater Tel: (202) 332 3300 Conversations with My Father. Herb Gardner's autobiographical work, directed by John Golna, Sun 2pm and 7pm otherwise at 8 pm; to Feb 5 (Not Mon)

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opes for a lasting peace between Arab and Jew are at their lowest point since the Israeli-Palestinian peace accords were signed in Septem-

Sunday's suicide bombing by Palestinian extremists, which killed 19 Israelis at a bus stop, has aroused fears among Israeli Jews that the peace process is undermining rather than improving their safety President Ezer Weizman, an ardent supporter of the peace talks in the past, captured the gloomy public mood when he called for a suspension of the peace process until the Palestinians make hetter efforts to curb militants.

'We call it a peace process which we hope to achieve. But right now it's a bloody process and with bloody processes you don't achieve peace," Mr Weiz-

man said. The Israeli cabinet responded by suspending negotiations on some issues, including the release of Palestinian prisoners. It also sealed off the West Bank and Gaza Strip and issued new ultimatums to Mr Yassir Arafat, the Palestinian leader, demanding that he crack down on Islamic extrem-

Israel's punitive measures, however, are unlikely to help the peace negotiations. The talks are hampered not only by the actions of Islamic extrem-Israel, hut also by the expan-sion of Jewish settlements on occupied Arab land. The Israeli government, furthermore, Is reluctant to honour its commitment to redeploy troops out of Arab towns on the West Bank ahead of Palestinian elections.

Security has always been the most important issue for Israeli governments. Israelis backed the peace process because they believed it would reduce Arah-Jewish violence. But the campaign of bombings and attacks by Palestinian Islamic militants has sapped Israeli morale and turned the country against the agreement. Sunday's bombing, the fourth hig attack in nine months, brought the Israeli death toll from such attacks since the 1993 peace agreement to 116.

Political commentators and newspapers usually supportive of peace yesterday latched onto Mr Weizman's call and the discontent with the government. An editorial on the front page of Yediot Ahronot, the higgest selling Hehrew tahloid, said: The way it looks the terror will go on and perhaps the negotiations will go. The gov-ernment will be finished."

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Terror takes its toll

Julian Ozanne on pessimism in Israeli-Palestinian peace talks



Spirit of mistrust: an Israeli soldier gestures to a Palestinian

Mr Amnon Rubinstein, the leftwing education minister. believes Mr Arafat has failed to live up to his security ohligations. "He must adopt a total turnaround on security issues...or jeopardise the entire peace process." he said

Yet forcing Mr Arafat into a war against his own people does not find favour with Palestinians. 'Israel is demanding the impossible." said Mrs Hanan Ashrawi, a Palestinian leader. "A crackdown against so-called extremists can only undermine Arafat even more and further discredit the peace

process among our people. Security concerns are also behind tha government's unwillingness to withdraw troops from the West Bank. Military officers have advised against it, saying the experiment with self-rule in Gaza has proved that without an Israeli military presence in the West Bank Islamic extremists will

find it easier to launch attacks. Mr Rabin and Mr Arafat have met several times to seek ways out of this impasse. But they have yet to find a way to reconcile Israel's security reservations with the Palestinians' determination not to vote under the harrels of Israeli

The delay in extending self-rule to the West Bank has allowed Jewish settlers and rightwing politicians inside and outside the government to force the issue of Jewish settle-ments and Jerusalem onto the government's agenda.

Mr Rabin and Mr Arafat had hoped to sidestep the issue until final negotiations begin in 1996, but a recent flurry of Jewish construction in the occupled West Bank has made the settlements a pivotal issue in the peace process.

Nothing worries the Palestinians more than Jewish settlers consolidating and expanding their presence on Palestinian land. Mr Arafat fears that the real intention of the settlers is to fragment the West Bank into islands of Jewish and Palestinian territory and so foil the emergence of a geographically coherent and independent Palestinian state.

The government promised in 1992 to freeze publicly-funded construction of new housing in Jewisb settlements everywhere except occupied Arah east Jerusalem, But it lacks the will to confront the 140,000 West Bank Jewish settlers and their supporters in Israel.

ast Sunday's cahinet meeting fudged the issue. It supported a freeze on settlement expansion but set up a ministerial committee to monitor exceptions to the policy.

Many of these ohstacles could have been overcome had the government maintained process.But Mr Rabin's determination to prolong the pro-cess to test the viability of self-rule created a vacuum which extremists on both sides have ably exploited.

Palestinian extremists used

the delay to argue that Israel pation and to launch their campaign of hombings and attacks; Jewish settlers saw the government's public reluctance to withdraw troops from West Bank towns as a go-ahead to consolidate claims to land they see as "biblical Israel".

The government's peace policy bas thus become a victim of its own delay. Collapsing public support bas narrowed Mr Rahin's mom for manoeuvre. With a general election due in 1996, senior members of Mr Rahin's Lahour party are inclined to respond rapidly to changes of public opinion. a tendency that has fuelled party and cahinet rehellions on issues from the peace process to economic policy.

The peace process becomes much more difficult when there is a feeling that Rahin has lost his way both inside the government and in the country," said Mr Yossi Alpher, former head of the Jaf-fee Centre for Strategic Studies in Tel Aviv.

Both Mr Rabin and Mr Arafat are finding it increasingly difficult to control the events which are now driving the peace process. Yet neither man can easily withdraw from a process on which each has staked his political future. The danger is that their inability to move forward or back will embolden extremists on both sides of the Arab-Israeli divide,

Joe Rogaly

Major's triple test



the opinion polls - it makes no difference. Whatever fate heaps upon his head, however loud the explosion, Mr John Major rises again, last year bedraggled, this year smiling broadly, like Tom in the Tom and Jerry cartoons. The British prime minister has surpassed himself in the hasic test imposed upon all politicians: he is a master of survival. Heaven knows bow long be can keep this up, but the answer hardly matters. It is what he is doing while not running for cover that counts. Or, to put it bluntly, is he any use or is he merely clinging to office?

The answer, which historians alone may deliver with confidence, will depend on how steadfast he is as the next general election approaches. Meanwhile, we shall forhear to rehearse the story of government vacillation to date. Anybow, there is not enough space for it all. Likewise, we need not record the full statistical measure of contempt in which the cahinet is held. We may simply acknowledge that most of the electorate regards it as a colloquy of cowardly charlatans. Mr Major is better than that, hut his political courage cannot be taken for granted, not in all circumstances.

There are at least three areas in which the prime minister's mettle will be put under stress this year. In Northern Ireland he has to call the Unionists' hluff, or risk forfeiting the peace that he has worked so hard to bring about, Overall, he must resist the temptation to let inflation rip in an effort to regain popularity. Ahroad. he should, hut will not, estab-

ber of the European Union. In shotgun at short, we may trust the govbim, sandbag ernment on the economy, sort of, and, fingers crossed, might do so on Ulster. Britain's position in the EU is another

> Oh, it may be protested, but the party is split. So it is. What of it? Would the rebel faction of Europhobes really bring Mr Major down this week or next, thus inviting a Canadian-style sweep-out of Conservatives? The same question applies to the Ulster Unionists, who last year saved the government from just such a fate. They

have the prime minister by If the supposedly the nose, and drawn the Europhile ohvious concluchancellor perfects sion. Over the weekend Mr his act, he will be James Moly in line for the neaux warned against the tabling of Tony Blair award for political an Anglo-Irisb "framework

agreement" on Ulster if it contains clauses that imply the establishment of joint authorities - north and south - over the six troubled provinces.

Yet the leader of the Official Unionists derives some of his leverage from the very precariousness of the Conservatives' position in the Commons. He would not be so influential in a bouse with a three-figure Labour majority, which current opinion polls suggest is at least a risk should an election be forced in the near future. He can scupper any initiative of a UK prime minister by refusing to negotiate on the details, hut Unionist support for the Conservative government will not he lightly withdrawn.

Mr Major should dare to press ahead with whatever draft agreement he thinks might eventually win acception, despite what the various varieties of Unionist may say for their own internal party reasons. He may yet do so. On this his track record is good: every card he has played so far has been the right one, at the right time. Until he botches an important trick, which be would do were he to produce a futile framework agreement, we may reasonably expect that

he will hold his nerve. The benefit of the doubt should also he given to the government's economic strategy. Ona reason is that the instruments of control are not in political hands alone. If Mr have seen how the Euro-rebels Clarke or Mr Major deviates

from the counter-inflationary strategy they have pursued with dogged determination, the governor of England might cry havoc. The first test of obfuscation

> solve will be the monetary policy pursued this year; the next the degree of "prudence" attributable to pre-election tax cuts, if they

come in November.
The government's European strategy cannot he defended. The prime minister who placed his country firmly "at the heart of Europe" when he entered No 10 Downing Street is, 50 months later, grovelling before the Europhobes who want withdrawal from the EU. These rebels hover on the borders of his party, supported by an unknown number of Tory anti-European constituency workers, who thrill to wartime memories of "very well, alone". A strong leader would brush their revolt aside, it is a nothing. A faction of backbenchers has been denied the Tory whip. This gang of nine would not

bers promote themselves as heroes of little England, yet Mr Major's cabinet is prostrate. "I'm a Gaullist, really." Mr

Kenneth Clarke said on the BBC's Breakfast with Frost at the weekend. This is the supposedly Europhile chancellor who has long proclaimed his belief in a single European currency. Today be equivocated. "I. can think of circumstances where I might say yes he says. I can think of circum-stances where I might say no... If he perfects this act, Mr Clarke will be in line for the Tony Blair award for political obfuscation. Hot on the chancellor's heels comes Mr Douglas Hurd, fleeing in the same direction. The foreign secretary spoke to his fellow EU foreign ministers in Brussels, but he was addressing the Euro-rebels. He called for "further subsidiarity, further

deregulation". Mr Clarke and Mr Hurd will have told themselves that they have not sold the pass. They are merely defending the national interest while remaining in the EU. Yes, but it is not the whole story. Granted, when you strip away the pretentious pan European verhiage, every important Euro-pean head of government with the possible exception of Chancellor Heimut Kohl is Gaullist at heart. Enlargement, minimum powers at the centre, and maintenance of national sovereignty are not unworthy aspi-

Pumping up the anti-Brussels rhetoric, with not a thought given to stating the positive case for the development of the EU, does everyone a disservice. The prime minister, the chancellor and the foreign secretary cannot hold high the banner of EU mem-bership while bending on one knee to lick Mrs Teresa Cor-

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to fine).

Translation may be available for letters written in the main international languages.

IMF should not fund Russia

From Professor Diana Maurer. Sir. I cannot agree more with your views expressed in your editorial "IMF dilemma over Russia" (January 20). In fact, there should be no dilemma at all on the part of the Interna tional Monetary Fund over giving funds to Russia. The IMF should simply give no funds whatsoever.

It is a bad policy, bad business and bad psychology for the west to be timid with the Russians, giving them billions of dollars for supposed aid while they are killing their own citizens. In fact, it appears the west is paying Russia for executing Chechen civilians.

This policy achieves nothing but plays into Russia's hands. Western leaders should be cooperating on how to punish the Russians, not how to reward them for cluster bombing civilians in Grozny. Anywhere human rights are not only violated but where civilians are hrutally murdered the world community should step in and excommunicate the villain and not reward him for genocide.

Since ordinary people in Russia are going hungry and are nutritionally, spiritually and financially depleted, it is very clear that any funds the IMF had approved or will approve never went to the people for whom they were intended. Rather than using IMF funds for paying working people so that they can make ends meet and feed starving pensioners and children, Yeltsin is funnel-ling the funds directly into the tanks and hombs that are showering Grozny with death and destruction.

Since the people of Russia do not see the henefit of even 1 per cent of the IMF funds it makes no difference whether the IMF gives the funds or not. Stalin was killing Chechens 50 years ago. Yeltsin is killing them now in full view of the world. The only difference is Stalin never got a \$6.5bn reward from the west and no one called it democracy. Diana Maurer, London Terrace PO.

PO Box 20295. New York, NY10011, US

Universal postal service cannot work in a totally free market leader. In contrast to its 1987 letter to Aviesbury. Liberalisa-From Mr Alan Johnson

Sir, Your editorial on postal services ("End Europe's post cartel", January 18) was disappointing in that it spoilt a perfectly valid argument about terminal dues by associating this with an attack on the limited monopoly granted to postal administrations throughout the world.

In particular, it makes the error of comparing postal services with telecommunications, as if they were identical industries.

Leaving aside a host of other differences, while telecommunications administrations had a universal service obligation. this has never been linked to a uniform tariff. Neither are there the same low entry costs into the telecoms market which allow postal competitors to cream off lucrative traffic to the detriment of the network as a whole.

On June 11 1992 the European Commission produced a report which addressed all the points contained in your

report on telecommunications, which called for liberalisation, the report on postal services accepted that there needed to he a "reserved area" without which there could be no effective, affordable and universal postal service. This same conclusion was reached by two Monopolies and Mergers Com-

mission reports in the 1980s. Having cast around the world to find an example of postal liberalisation, you can find only three cities in Sweden - a country where there is only one delivery Monday to Friday and none at all on

Saturday. There is a common consensus among all interested par-ties that affordable, accessible postal services cannot he provided in a totally liberalised

A benefit of EU membership is that customers can post a letter to anywhere within the Union for 25p. Thus a letter from London to Athens can he

sent at the same price as a

tion will make much geographical cross subsidies unviable domestically as well as interna-As for the competitors, at

least the most reputable have been frank enough to admit (to quote DHL's submission to the trade and industry select committee) that it would "not be possible for a private company to guarantee a universal postal

service within the UK". This may offend some of the free market advocates who write your editorials, but it is a factual and honest assessment

of the situation. What is required is an intelligent debate about postal services - not a shallow attempt to apply the theory of telecoms llheralisation to European postal services.

Alan Johnson, general secretary. Union of Communication Workers, UCW House Crescent Lane

London SW4 9RN, UK

Markets argument moves on to swampy ground

From Mr Joe Roeber.

Sir, The debate on the morality of the market system is valuable ("Adam Smith and the virtue of capitalism", January 16 and Letters, January 20). But to talk about the morality of markets per se is to divert the debate about ethics and economics into swampy ground. Markets are neither moral nor immoral; they are a dumh piece of machinery. They don't "know" anything, still less "do" anything of their own volition. It is not the markets that misbehave; it is the players who misbehave whenever they think there is money to be made. Hence, intervention in the functioning of a market to force a different outcome is almost always ineffective, akin to re-calibrating a thermometer in order to cure a fever. Govarnments abould only be interested in markets to make

cient and transparent; and can-

not be manipulated. The boosters claim that markets offer solutions to complex economic problems. The critics say that they are to blame for all the ills of our society. Both are surprising misrepresentations of what the things exist for, and how they operate; economists, of all people, should know better. Markets function perfectly well at any price level; they mediate in the transactions between poor people as efficiently as between the rich.

It is when interested parties are able to manipulate and abuse them that the government should be interested, and it is to prevent these abuses that they should intervene, not in the workings of the markets themselves. Joe Roeher 82 Carlton Hill

Means to wrong end

From Mr Anthony W Shone. Sir, The electronic alds that make it possible to monitor markets minute by minute, although very impressive, are

a mixed blessing. With such frequent updating, does the FTSE Index really give the intended information on overall market sentiment? Volatility of markets is a fre-

quently discussed topic nowa-daya. If minute hy minute adjustment was foregone and indicea were adjusted, say. every two hours, the peaks and troughs would be eliminated and overall sentiment more clearly seen.

Just because the means exist to adjust on a running basis it does not mean to say that they

have to be used. Anthony W Shone, Wilson Foods. The Corn Exchange,

Tax should be imposed on pollution instead of employment obvious fact that taxing labour is a good start.

From Mr James Skinner. Sir, Day after day you report on employment cuts made in the name of "increased efficiency" while politicians wring their hands over persistent unemployment figures and bewail the failure of their job-How refreshing to read at

creates unemployment (Personal View: "Wise to lower the cost of low paid labour", January 20). But Professor Alec Reed fails

sure they do their job; are effi-

to pursue his logic and only nibbles at the edge of the problem. Transferring taxes from employment to "speeding, last one article stating the smoking and drinking"

It should be accompanied by a staged reduction in income tax, National Insurance and

VAT, compensated by increasing taxes on pollution and on non-renewable energy and raw materials levied at source. The arguments in favour of

this kind of ecological tax reform are widely understood UK

and accepted in Germany and elsewhere but are studiously ignored by politicians in the UK. Perhaps Professor Reed's glimpse of the obvious may encourage a change. James Skinner, Heron House, Chiswick Mall, London W4 2PR

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FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday January 24 1995

Strong drugs, no side-effects

The ailment is clear, but the products from that spending, and choice of remedy raises tricky questions. In launching its \$9.4hn bid for Wellcome, Glaxo is proposing to create the world's largest drug group. It also believes that it has found a solution to the problems facing the two rivals. Each faces the imminent expiry of patents on its best-selling drug. At the same time, drug purchasers worldwide are using their growing muscle to whittle away at the pharmaceutical industry's envi-

For the companies themselves, there is a strong argument that the proposed deal makes sense. There is, certainly, room for some scepticism that buying Wellcome is really the best use Glaxo can make of its capital. After all, its management made clear for years its preference for organic growth. driven by heavy investment in research and development. Nonetheless, there is clearly room to cut costs: investment analysts estimate that about 90 per cent of the two companies' R&D overlaps. The deal might also shake up ners - its failure to move aggressively into genetics is striking, for

The tougher questions, however, concern whether the merger of two large research-based companies is in consumers' interests. Given the pressures on the industry, this may well not be the last case. The worry is that such deals will reduce competition in worldwide pharmacentical research, and will squeeze overall spending

Misplaced anxiety

However, the anxiety is mis-placed. In the UK, concerns that spending on basic science will be squeezed are partly mitigated by the money which Wellcome Trust, the world's largest medical research charity, would receive from its 39.5 per cent shareholding in Wellcome. The trust could expect to get 53.5m - film in cash and the rest in Glaxo shares - and some would make its way into university research.

There is a case, too, that even if worldwide spending on pharma-centical R&D is squeezed by the industry's restructuring, the increasing pressures on companies may increase the efficiency with which they extract marketable reduce the time they take to bring products to market.

Nor would the deal necessarily damage international competition. As drug companies themselves lament none has more than 3.9 per cent of the worldwide market. True, Glaxo and Wellcome have higher shares of certain therapeutic categories, a point which com-petition authorities will have to consider. In particular, Glaxo and Wellcome currently hold two of the leading treatments for Aids and HIV, although rivals are developing other compounds.

Targeted research

But an important reason for keeping calm about potential threats to rompetition is that new competition is emerging fast, thanks to changes in the nature of biological science. The explosion in knowledge of genetic engineering in the past two decades - both in theory and in techniques means that drugs can be designed more precisely for their function. Research can thus be more easily targeted, and technology to develop new drugs has shrunk in scale and expense,

Those changes are themselves prompting a restructuring of the industry. Barriers to entry are falling, and small laboratories are setting up, with their eye on creating just one or two drugs. Big groups are finding it hard to hold on to some of their brightest people. Instead, those scientists are spinning off into their own companies where they have more freedom. and the prospect of wealth if their discoveries are successful. The growing sophistication and size of the venture capital industry has made it easier for such start-ups to raise up capital. Government

source of funds, as have the pharmacentical giants themselves, in exchange for stakes. Glaxo itself has about a dozen such alliances. Unlike many recent deals in the industry, Glazo is proposing a horizontal merger, rather than a vertical pairing with a purchaser of drugs. As such, the deal is a vote for the value of science. Glaxo clearly believes that R&D, properly directed, can deliver adequate return. The deal is a symptom of the revolution under way in the

industry, but not one that threat-

grants have provided another

Controlling land mines

Sophisticated weapons of mass are manifestly unenforceable.

A UN meeting in Geneva last destruction are not the only sort of armament whose proliferation is a deadly threat to the planet. There is another instrument of war whose effects are devastating because it is cheap and simple: the land mine. Something needs to be done to curb their uncontrolled

spread. The question is what.
The United Nations estimates that over 100m land mines have been sown in more than 60 countries, while another 100m have been stockpiled in readiness for use. These weapons kill more chil-dren than soldiers. It has been estimated that they claim 800 mostly civilian - lives a month and deprive many thousands more of limbs or eyesight. Many of these casualties occur years after hostilities have ceased.

Mines are the scourge of the poor, hut also the poor man's weapon, since they cost only a few dollars each. In recent years, the number of mines sown in the world has been increasing at an annual rate of more than 2m, while the average number of mines cleared was only 100,000. Mine disposal costs up to \$1,000 per unit. So, in round figures, the total number of active mines is rising by 1.9m per year, and the aggregate cost of destroying them is rising by nearly \$2bn.

These considerations have prompted Mr Boutros Boutros Ghali, UN secretary general, to call for a ban on the production. stockpiling and use of land mines. He argues that their devastating human consequences far outweigh any military benefits. Last autumn, US President Bill Clinton also made an idealistic, perhaps ntopian, call for the total elimination of land mines.

Unenforceable

It is easy to agree with the desirability of that goal, much harder to see how it could be achieved. Mines have become such an integral part of modern warfare that the armed forces of all major countries, including the US, insist on reserving the right to use them. They are produced in over 40 countries, most of them adept at camouflaging arms factories. There is good reason to hesitate before concluding any more agreements which risk making an ass of international law because they

week agreed in principle on some intermediate steps which should alleviate the worst effects of land mines on non-combatants. These include a ban on the use of hardto-detect plastic mines, and a stipulation that most mines be fitted with self-destructing devices, so they are less likely to kill civilians after hostilities end. These measures, welcome as far as they go, look certain formally to be adopted at the UN in the autumn.

Rigorous code

As well as supporting the UN's efforts, the US is working separately to draw makers and users of mines into a more rigorous code of conduct. The reason Washington gives for thus bypassing the UN is tactical: if all the most far-reaching proposals on land mines are built into a UN convention, then many countries will refuse to sign it and be left outside all regulation. Under the code of conduct, user countries would declare details of their current mine stocks and promise to increase the percentage of self-de-structing devices at a given rate.

Because self-destructing mines are much more expensive than long-life ones, developing countries have argued that they cannot enter the US-proposed system unless rich countries help them. But which rich countries will

provide this help? The US Congress, and the gov-ernments of most western countries, have announced a self-imposed ban on the export of all mines, at least for a trial period. The UK has declared an indefinite moratorium on the export of longlife mines, while keeping the right to sell self-destructing devices. On the face of things, Britain's more nuanced position has left the moral high ground to others. But if the US achieves its goal of convincing poorer countries to upgrade their mine holdings, the self-destructing devices will have

to come from somewhere. Mines are evil devices, but hure stockpiles will continue to be sold and sown. Those who wish to limit their worst effects would do well to focus on persuading countries to renounce the crudest kind of mine, rather than the more distant goal of a total ban.

laxo, the UK drugs company, is used to snperlatives. It is Europe's largest drugs company, and number two worldwide in terms of sales.

Yesterday, it announced a take-over hid for Wellcome, the fourth largest UK-owned pharmaceuticals company, that could add further records to its name. It alms to create the world's biggest drugs com-pany with annual sales of almost

If successful, the bid is will be three times bigger than the previous largest by one UK company for another - and the third biggest bid in the world.

Success seems likely, since Glaxo has already agreed to buy the 39.5 per cent of Wellcome's sbares owned by Wellcome Trust, the wealthy UK charitable foundation. Negotiations with the trust over the purchase that began at the start of the month ended with the completion of the paperwork on Simday

night.
"We had a 'sign or not this weekend' plan," says Sir Richard Sykes,
Glaxo's chief executive. He called
Mr John Robb, Wellcome's chair. man and chief executive, in the small hours of yesterday morning to tell him of the bid. Yesterday's bid followed a pledge

made by Sir Richard last April that his company would be transformed within a year. He made this prediction confidently, knowing of the growing pressures on the pharma-ceuticals industry to consolidate. The industry is remarkably frag-

mented, with no single drugs company having more than 3.9 per cent of the world market - a figure that has barely changed for decades. Yet the industry has prospered because in many markets outside the US, its prices were guaranteed by govern-ment purchasing agreements. In the US, where healthcare is not

regulated hy government, drug prices were equally buoyant as doc-tors and hospitals competed with each other to offer the latest and best treatments - almost irrespective of cost.

In the 1990s, all that has changed. Those who pay for drugs - health insurers and governments - have faced pressures to cut rosts. They have found they could make big savings by driving hard bargains with drugs companies.

Profit margins began to fall, and

the industry embarked upon a wave of mergers, acquisitions and closures. Some sought to acquire competitors to gain economies of scale, while others bought distributors to bring them closer to the customers. During 1994, more than \$30bn changed hands in corporate acquisi-

tions. The biggest deal was the \$10bn acquisition of American Cyanamid by rival drug maker American Home Products. Glaxo's UK rival, SmithKline Beecham, spent more than \$70n on buying DPS, a US drug distributor, and Sterling Health, the US drug maker. Glaxo, too, was on the acquisition trail, and was believed to be Interested in a drug distributor. But Its

> ever before has science played such an impor-

> tant part in a large UK

Sir Richard Sykes, Glaxo's chief

executive - and one of the few career scientists at the top of UK

group in the more competitive envi-

ronment of the coming decade. By

combining R&D programmes -with a total budget of £1.2bn a year

Dr Trevor Jones, former Well-

come research director and now head of the Association of the Brit-

ish Pharmaceutical Industry, calls

the bid "the clearest possible vote

of confidence in Glaxo's future as a

wholly science-based company. *Other large pharmaceutical

they can be more productive.

for buying Wellcome.

bid targets slipped ont of reach as others offered ever higher

Glaxo's plan to buy Wellcome will bring economies of scale but also problems of integration, says Daniel Green

Medicine for a changing market

prices, says Sir Richard.

Wellcome had long been rumoured as a potential bid target. At 19 in the world rankings by sales, it was seen as lacking the size to make economies of scale to pre-serve its profit margins in an increasingly cost-conscious husi-

Until 1992, the company was protected from takeover by the stake held by Wellcome Trust, which then owned 75 per cent of the shares. Under the umbrella of a charitable foundation, the company was notorious for its slowness to exploit its products.
"We all agreed that it took too

long for us to get a product from launch to the point of maximum sales," says Dr Trevor Jones. research and development director at Wellcome until last year.

By the late 1980s, even the trust was aware change was needed. Mr John Robh, its chairman and chief executive, had been recruited from UK rival Beecham in 1989 to inject a more commercial culture. The fortunes of Wellcome improved enough for the charitable trust to want to cash in some of its shareholding, and it reduced its stake to less than 40 per cent in 1992.

For Glazo, Wellcome was seen to be about the right size, says Sir Richard. "We believe this is a manageable rompany to integrate with our own; anything bigger would have been difficult.

He says that buying Wellcome will help eliminate the inefficiencies in both companies. Most of those inefficiencies are likely to be in esearch and development.

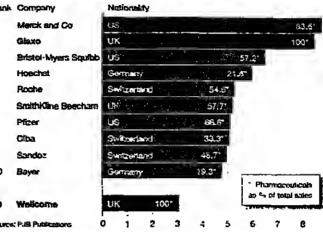
Glavo spent £858m on R&D in the year to June 1994 while Wellcome spent £326m in 1993 (the latest year for which figures are available). The two companies' research programmes overlap in six medical

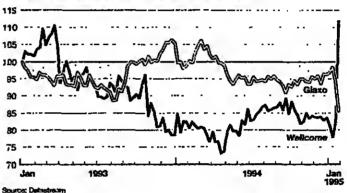
areas, including the treatment of Aids, cancer and migraine. There is a lot of opportunity for rationalisation there," says Slr

He will be anxious to concentrate research at Glaxo's newly-completed £700m R&D ceotre at Stevenage, north of London. Wellcome's UK research centre at Beckenham. south-east London, could be vulnerable to cuts or closure. In the US the task of rationalising

research facilities may be even easier: both companies have their North American research headquarGlaxo and Wellcome: a new giant?







ters in Research Triangle Park, drugs while Glazo's strengths are in North Carolina.

The two companies may also be abla to combine their sales and marketing efforts, which cost roughly twice the R&D budget. The poten-tial for rationalisation here is more limited because the sales teams sell different products - Wellcome is largely dependent on anti-virus two in the pharmaceuticals indus-

ulcers, asthma and cancer.

If the rationale for the deal is clear, the likely problems are

First, Glaxo bas no experience in integrating acquisitions, having not made one since 1977. During the company's rise to world number

try in the 1990s, Glaxo prided itself on internally-generated growth. Not only does Glaxo have no experience in integrating acquisitions, but Wellcome's products are

largely in anti-virus medicines, an area Glaxo knows little about. Second, the merged rompany will he reliant on income from two

drugs that are now reaching the end of their patent protection. Glaxo has relied largely on the sales of Zantac, the ulcer drug that is now the world's best-seller. It accounts for more than 40 per cent of Glaxo's sales revenues. Yester-day's offer included a trading state-ment saying that Zantac sales were falling for the first time since the product was launched in 1981.

Zantac's US patent protection is running out, and could expire as early as in 1997 (depending on the outcome of legal actions). That is also the year in which the patents run out on Zovirax, Wellcome's tup seller which also accounts for more than 40 per cent of the company's

Recent patent expiries in the US suggest sales revenues could fall by three-quarters within a few months as non-branded rivals are launched. Sir Richard claimed new products will be able to replace revenues from Zantac and Zovirax. These include ranitidine bismuth citrate, a replacement for Zantac, and Valirex, a more effective anti-virus drug - neither of which is yet approved by pharmaceutical regula-

he new company will have other weaknesses. Both Glaxo and Wellcome have failed to crack the lucrative Japanese market, which accounts for around 18 per rent of world pharmaceutleals sates. By ranking, they languish at 44th and 70th in Japan. The two companies also have adopted different strategies for survival in the past. For a decade, Glaxo has concentrated on prescription-only drugs, while Wellcome established itself in the ouarket for over-the-counter (UTC) drugs that can be sold without prescriptions. The two strategies require different marketing approaches.

With yesterday's offer, Glaxo has committed itself to the new strategy; buying drugs companies rather than distributors, and a return to the over-the-counter market. It stands alongside American Home Cyanamid purchase, and Switzerland's Rocho, the third biggest drugs company, which last summer spent \$5.3bn on Californian rival

The alternative strategy has been adopted by Merck, currently the world's number one drug rompany. UK rival Smithkline Beecham and Ell Lilly of the US. These three have spent more than \$12hn between them on huving drugs distributors. Sir Richard is unrepentant. He dismisses buying distributors as "fashionable", But be agrees with his rivals that

consolidation is necessary and inevitable. Yesterday's hid will almost certainly not be Glaxo's last.

Marriage made in the lab

The R&D programmes will benefit, says Clive Cookson

industry - repeatedly emphasised research and development yester-day when he outlined the reasons tion into related areas such as Neither Glaxo nor Wellcome indibealth management, but Glaxo will continue to risk everything on its vidually can expect to produce the flow of innovative drugs required to sustain a leading pharmaceutical research." Dr Jones says.

Glazo and Wellcome have very different portfolios of existing products: Glaxo sales are domi-nated by ulcer and asthma drugs while Wellcome depends on anti-virals (to treat herpes and Aids).

Their R&D programmes, in con-trast, are remarkably similar. Both companies are making a large effort to find new drugs in the same categories: anti-infective, anti-cancer, cardiovascular and central nervous system. That overlap would enable a com-

petitors in its chosen fields of

research.
In anti-viral research, GW would be far ahead of the field, with promising new drugs in development for herpes (Wellcome), infinenza (Glaxo), hepatitis (both) and Aids (both).

Patients with HIV, the virus that causes Aids, would benefit from a takeover if it accelerated the development of a "combination therapy pairing Glaxo's experimental 3TC with Wellcome's established AZT. 3TC is also active against bepatitis, for which it will complement Wellcome's Wellferon.

groups such as Merck and Smith-Kline Beecham have decided to spread the risk by vertical integra-facilities and still outspend all com-position by buying Wellcome. Clinical trials are showing that Well-rome's experimental drug, 311C, could be a powerful competitor to Glaxo's Imlgran - much the most effective migraine drug on the market. At the same time Glaxo is working on naratriptan, its own successor to Imigran.

"We will not be developing two drugs of the same type," Sir Richard made clear yesterday. In other words. GW will evaluate 311C against naratriptan, proceed with the more promising prospect and drop the other.

One general field in which Glaxo has ontclassed Wellcome is the Migraine treatment is another application of genetics research to

drug discovery. Glaxo has set up a network of research alliances with US biotechnology companies and is feeding the results successfully into its own research centres In Research Triangle Park (US) and Stevenage (UK). The merger will extend those benefits to Wellcome. Another hot technology in which come a potential beneficiary - is "combinatorial chemistry". This enables researchers to make mil-

lions of new molecules and screen them for pharmaceutical activity. However, Wellcome does have world-class scientists working at its Beckenham (UK) and Research Trlangle Park laboratories. For example, Dr Salvndor Moncada helped make one of the most important biological discoveries of the past decade: the vital cole played in the human body hy nitric oxide (formerly known only as an indus-

OBSERVER

The power of suction

■ Should Eurobond issuers employ the services of a seismologist? Sweden's Electrolux must be wishing it had, as it ponders the

fallout from a rather novel financing completed in early 1990. The cause of the problem is a \$50m seven year bond, placed privately with a Japanese insurance company.

One of its conditions is that the investor can put the bond back to the issuer, at par, in the event of an earthquake above a certain point on the Richter scale and within a 100km radius of the city halls of four cities - and one of those is Osaka.

The tremors of the Kobe earthquake qualify, but Electrolux says it's "not sure where the epicentre is on the map".

A quick glance at the atlas suggests Electrolux will need some ingenious lawyers if it is successfully to make out that any part of Awaji Island - where the earthquake was centred - is further than 100km from Osaka:

Seamless drivel

If Wolford, the manufacturer of luxury tights, is going to have much success in appealing to women as a "lady share" once it floats on the Viennese and Parisian stock exchanges, it might rather have to update its annual report maybe by taking it into the twentieth century.

Here are some extracts from the 1993-94 report: "Woman' - the unending, timeless archaic and yet at the same time most modern, complicatedly simple, and fascinating phenomeoon, the phenomenon that shapes our culture and all we can do, awakens our senses, teaches us our responsibilities for our lives together, and grants us the gift of visions for the way things might be or might become.

Our destiny is bound up with that of women. No product can express this with greater sensitivity than Fatal (Wolford's new seamless On the scale of a worldwide

innovation. Fatal is something of a challenge which we bave set ourselves, a challenge to improve still further what we are already familiar with, and at the same time to dare what is completely Sorry guys: I'm wearing socks

this year.

Newts' news

■ Peter Bernstein, executive editor of the magazine US News & World Report, along with his wife Amy. has collected the wit and wisdom of Newt Gingrich, the new Republican speaker of the US house of representatives. 'Quotations from

Speaker Newt: The Little Red, White and Blue Book of the Republican Revolution' has 182 pages of items such as this, from Gingrich in 1985: "It's not altruism! I have an enormous personal amhition. I want to shift the entire

"For a politician, he hasn't contradicted himself very much," Now tell us: is that a good or bad thing?

Lucky Lucena Last year Brazil's election

authorities and supreme court ruled Humberto Lucena should lose his senate seat for illegally using its printing press for his election campaien.

Congress has now amnestied Lucena and other guilty senators: Lucena has been asked to pay the \$15,210 printing bill. Sadly, be says he doesn't have that much money. So his fellow

amnestees have pooled their resources to pay the bill. Lucena's Impoverished condition is regrettable. Still, his senatorial annual salary has just jumped more than 100 per cent, taking it to about \$140,000. Maybe times are looking

Grecian earner

■ George Zavvos might have oppeared to possess a prime

qualification for a rising conservative Greek politician. He bas good connections in Brussels - important in a country where EU hand-outs amount to five per cent of GDP - as well as a sound background in finance

having helped draft the second

employee.

banking directive as a Commission

Moreover, unlike other Euro-MPs for Greece's New Democracy party. Zavvos also put in the hours back in Greece, commuting from Strashourg to chair a committee trying to improve his country's antiquated hanking system. But his reward was to be dropped

from his party's list of candidates at last June's Euro-election. The preferred candidate was Nana Mouskouri, the folk singer who emigrated from Greece more than 30 years ago to make a career in France.

Slr Leon Brittan, his former boss at the Commission, has now helped Zavvos, unloved at bome, land the EU's ambassadorship to Slovakia. Must be nicer than sitting in

Souked through Calling all Welshmen and

women.

Zap across to Cairo's Khan el Khalili bazaar, wbere you can buy a T-shirt on which is emblazoned "Save the Wales!" - which presumably can be found in the Swan sea

Financial Times

trial pollutant). Glaxo will have to

ensure that Ill-jndged cost-entting

does not drive them elsewhere.

100 years ago Markets unsettled and nervous

New York: Our market opened with a heavy tone today and continued weak practically through the session. The Street is becoming somewhat uneasy in consequence of the serious condition of the Treasury and considerable liquidation was effected during the day. The

Bulgaria rumour denied The rumour that a new Bulgarian loan of four millions sterling is about to be issued is denied officially by the Bulgarian Minister of Foreign Affairs . . . Apparently Bulgaria is by no means in such a bad way as some people imagine.

50 years ago

to materialise.

Wishful thinking Markets are still unable to throw off the depression which started on Thursday last week when the capture of Warsaw by the Russians and the victorious forward sweep of our allies brought nearer the prespect of peace ... Evidently wishful thinking saw a recovery close at hand but, as is not uncommon with wishful thoughts, this failed

FINANCIAL TIMES

Tuesday January 24 1995



MW 6

Dale Power Systems pic

Cost cuts hit Swedish childcare

Nurseries are feeling the strain of efforts to lower public spending

By Hugh Carnegy in Stockholm

At 10am at the Hollandergatan Daghem in central Stockholm, a scene repeated every day in thousands of similar mursery schools throughout Sweden is under way.

In one room, a teacher kneels to help an apron-cled child painting at an easel; in another, with hightly painted murals splashed over the walls, three girls are over the wans, three ghis are playing happily. In the staff room some excitable toddlers are being allowed to watch a video; in the kitchen, big pots of sausages are

At first sight, all seems as it should be in a childcare system that is at the core of Sweden's welfare state, virtually guaranteeing every child between the ages of one and six subsidised daycare. It is a system that underpins the almost full participation of women in the Swedish workforce and is the envy of mothers and fathers far beyond the country's borders.

But like almost every other part of the welfare structure, it is feeling the strain of the acute crisis in Sweden's public finances which has forced the Social Democratic government to propose

public spending cuts of some SKr50bn (\$37bn) since it returned to power last September.

Ms Kari Stenseth, beadmistress at Hollandergatan, sighs wearily as she describes the impact of budgetary pressures that have made themselves felt for at least three years already. "You could say we were spoilt before," she says. "But all of a sudden it became very tough. I'm a teacher, not an economist, but more and more I have to think about money. Really, it is like I am running a small business

The pressure has come mainly as e result of savings forced upon the local municipalities - or kommumer - which run and subsidise the public daycare system. Ms Stenseth says the annual grants she received from the Stockholm kommune in 1994 of SKr65,353 for each 1-3 year old and SKr52,318 for each 4-5 year old were down by about SKr2,000 per child. Supplementary fees from parents of e maximum SKr2,000 per month per child (set by the state) were

As a result, Hollandergatan has had to take on more children from 30 five years ago to to 40.

staff numbers have slipped from six, to four, with two on three quarter time - reflecting a fall in the nationwide nursery teacher-child ratio from 1-4.2 in 1990 to 1-5.2 today.

Things are different because we have so many more children." laments Ms Eva Blixt, one of Ms Stenseth's staffers. "We like to take the children to the forest, but we can't do that any more because of the numbers. And we have to have a more disciplined regime for the children, which I don't like.

Critics of the system, however, argue that it became bloated, inefficient and wildly expensive for a country whose budget defi-cit last year reached 13 per cent of gross national product, one of the highest in Europe.
A recent study by Professor

Sherwin Rosen, a University of Chicago economist, estimates that in 1991-92, Sweden spent SKr50bn - or 3.5 per cent of GNP - on nurseries, child allowances and other subsidies of families with pre-school children. By 1993, 322,000 children were in daghem, more than double the number in 1983. Professor Rosen argues not

Meanwhile, professional full-time only that the system is expensive hut also that it is inefficient, because it mostly shifts the burden of bringing up young chil-dren (and looking after the old) out of the home and into a community institution.

"If Swedish women take care of each other's parents in exchange for taking care of each other's children, how much additional real output comes of it?" Profes-

sor Rosen says.
But it is a mistake to assume that the days of universal child care in Sweden are numbered. In fact, the right to a plece in childcare for every child was enshrined in law only in 1993, under the previous government. The present government remains committed to maintaining publicly-funded daycare which may be subject to economies but never dismantled.

Ms Gun Britt Andersson, a senior policy maker in the Social Department in Stockholm, is adamant that the pre-school childcare system must stay.
"It allows both parents to com-

bine rearing children with productive work. I want it and a majority of the people in Sweden

Portuguese prime minister Markets hit will not stand for re-election

Continued from Page 1

by investor

nervousness

some overseas portfolio holdings, depressing bond and stock prices. Other Asian markets reflected Tokyo's mood, with investor confidence also hit by worries about the health of the Chinese leader Deng Xiaoping. In Hong Kong, the Hang Seng index dropped 310 points, or more than 4 per cent.

In Singapore, the Straits Times

industrials index fell 5.5 per cent. European markets were also weaker. In London, the FT-SE 100 index fell 40.8 points, or 1.4 per cent, to 2,954.2, despite a surge in shares in Wellcome due to a £9.4hn bid from rival pharmaceuticals company Glaxo. In Paris, the CAC-40 index fell 2.2 per cent, while in Germany, the DAX

index dropped 1.4 per cent. The wave of selling continued in the US, where the Dow Jones Industrial Average points down by Ipm New York time. Expectations of a further increase in US interest rates when the Federal Reserve's open market committee meets at the end of the month depressed investor sentiment. A fall in the 30-year US Treasury bond, which was just under half a point lower in early afternoon trading, resulted in similar declines in European government bond mar-

Latin American markets also suffered on the back of continued concern about potential Congressional delays to the rescue package for Mexico. In early afternoon trading, share indices in Argentina, Brazil and Mexico were 2-3 per cent lower.

Leadership crisis looms with no By Peter Wise in Lisbon

Mr Anibal Cavaco Silva, the prime minister who inspired an economic renaissance in Portugal over the past decade, announced yesterday he would not stand for re-election in October. His withdrawal marks the end

of an era that began with the euphoria of an economic boom hut ended with recession and the political stagnation of the centreright party he hrought to power. Mr Cavaco Silva is often compared to Baroness Thatcher, the former British prime minister. for his polltical firmness and advocacy of frea markets. His tough personality appealed to voters, who gave him two over-

tugal out of political turmoil after the 1974 revolution and into the European Community.
Opinion polls indicate his Social Democrats (PSD) are unlikely to win a third overall majority. Mr Cavaco Silva is not given to conciliation and would not easily countenance heading a

minority or coalition government

whelming mandates to lead Por-

clear Social Democrat successor His decision pitches the PSD

into a leadership crisis and increases the chances of the opposition Socialists winning the election. A poll yesterday gave the Socialists 44.8 per cent of the vote and the PSD 39.8 per cent. President Márlo Soares, a

Socialist, could bring the election forward if he decides that Mr Cavaco Silva's decision threatens to destabilise the government. The Socialists have called for an election in June. Mr Cavaco Silva, 55, declined to

say whether he would enter the race to succeed Mr Soares in a presidential election early next year. But his withdrawal from government was widely interpreted as heing the first step. While he prefers the to the president's limited role, he will be under stong pressure to run for president as the PSD's strongest contender.

Capital market analysts said

the political uncertainty could affect investment decisions and delay an economic recovery forecast for next year.

Mr Cavaco Silva's leadership was the overriding factor in the PSD winning overall majorities in 1987 and 1991, ushering in a period of political stability and economic growth unequalled since Portugal's return to democracy in 1974. But his popularity began to wane with the onset of recession in mid-1992. Recent scandals and allegations of influence-trading involving PSD figures have also disfillusioned Mr Cavaco Silva, who is respected for his honesty and efficiency.

He bas no clear successor. Until recently, the strongest candidate Mr Fernando Nogueira, defence minister and number two in the government and the party. But his reputation has been tarnished by an armed

Glaxo makes £9.4bn bid for Wellcome

Continued from Page 1

anti-herpes treatment Zovirax. which accounts for 40 per cent of Wellcome's sales, is due to expire in 1997. Wellcome is having difficulty gaining approval for a nonprescription version of the drug. Several analysts expressed concern that combining two sets of problems might do nothing to

solve either. Glazo argues that cost savings would make any difficulties "more manageabla". In its over-the-counter form.

Zantac was due to be sold by Warner Wellcome, a joint venture between Warner-Lambert and Wellcome. The acquisition would mean a renegotiation of the arrangement with Warner-Lambert, said Sir Richard.

FT WEATHER GUIDE

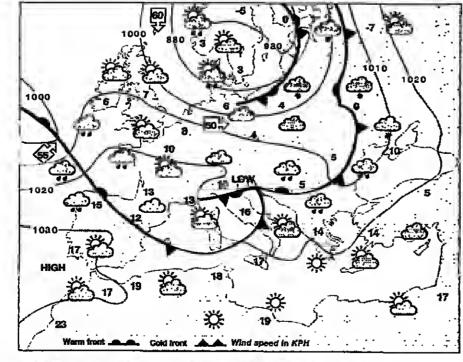
It would also mean rationalisa tion across tha board, be said Both companies have their US operations in North Carolina, and there is considerable duplication of research at Glaxo's Stevenage and Wellcome's Beckenham sites. Wellcome's shares rose by 273p to close yesterday at 961p. But Glaxo's fell by 45p to close at

Europe today

Cold, moist air from the polar region will cross southern Scandinavia on its way to the Alps and eastern Europe. These areas will have a mixture of sun and cloud with widely scattered showers, some with hail or sleet. Light snow showers are expected in the Alps, but skies will clear later in the day. Sunny spells are expected over the British Isle except for rain or soft hail showers in the north. The Mediterranean will be settled, enced by high pressure over Spain. All the Mediterranean will have sunny periods and eastern and central sections will be particularly bright and sunny.

Five-day forecast

Abundant rain is expected in northern France and the western Alps. Temperatures will be mild, allowing the freezing level in the Alps to rise to about 2,000 metres. High pressure over Spain and northern Africa will continue to bring sunny conditions to the Mediterranean with temperatures reaching 20C in



TODAY'S TEMPERATURES



THE LEX COLUMN

Glaxo's Wellcome surprise

For a group whose biggest headache is that its top-selling medicine Zantac could lose US patent protection as early as 1997. Glaxo appears to be behaving curiously. After all, Well-come's biggest product, Zovirax, loses its US patent protection in the same year. Glaxo insists that huving Wellcome will not compound this predicament, but the move does not alleviate it either. Moreover, Glaxo is offering a more generous price than previous drug deals in terms of sales and earnings multiples. Wellcome may be of better quality than Syntex or American Cyanamid, hut the scope for

rationalisation is less obvious.

Nevertheless, the deal makes some sense. There is little product overlap, so sales should be boosted by pushing Wellcome's drugs through Glaxo's salesforce. Wellcome's additional product range should also help when marketing to US bulk buyers. And Glaxo will control the world's two most

promising non-prescription drugs.

The main benefits will be achieved through cost-cutting. Wellcome's and Glaxo's research and development facilities, closely located in North Carolina and sonth-east England, can be rationalised; so too can sales and marketing activities. Further benefits can come from running down Wellcome's US and UK manufacturing operations, which never enjoyed the tax breaks most drugs groups obtain from having plants in developing countries. If integration is properly implemented, Glaxo could achieve savings of up to £800m a year, ensuring reasonable earnings growth.

A white knight remains a possibility, although a remote one. Few companies have deep enough pockets, and those that do may not find savings as effectively as Glaxo. Nevertheless. more deals in the industry will follow. The pressures behind the industry's current rationalisation show no signs

It is bardly surprising that last week's tragic earthquake in Kobe should refocus minds on the risks of investing in Japan. The short-term prognosis is not positive. The cost of ebuilding Kobe is rising fast, as are estimates of the impact of disruption on industrial output. Viewed purely as a reaction to the quake, yesterday's 5.6 per cent fall in the Tokyo market looks overdone. But it has exacerbated concerns over the weak economic recovery and the market's average Glaxo and Wellcome Share prices relative to the

price-earnings ratio of over 50 for the

year to March 1996. Kobe's reconstruction will, course, benefit those companies that do the rebuilding and so feed through into increased consumption from the second half of 1995. But there must be concerns that the Japanese, reminded of their vulnerability to natural disaster, will now increase their savings.
Memories of Kobe could offset the
effects of increased government spending, so damping economic growth and adding to the market gloom. Japanese institutions are expected to be net sellers to improve profit figures for the year to March. Add in volatility in other world markets and current high valuations and the Tokyo market looks susceptible to further falls.

Cadbury Schweppes

Cadbury Schweppes' proposed acquisition of Dr Pepper is driven by straightforward strategic considerations. It would almost double Cadbury's size in the fast-growing non-cola segment of the North American soft drinks market.

The deal would however damage

balance-sheet robustness under conventional measures. After taking on debt, it would leave the group with gearing of more than 100 per cent, even after capitalising £1bn of goodwill. Without taking the value of new brand names into account, gearing would be twice as high. Cadbury can legitimately argue that so-called cash-gearing is a more fitting measure of financial strength and its target of 4.5 times interest cover is reassuring. But it would still be an expensive deal; Cadbury would pay a multiple of 30

times historic earnings and its 1990 earnings would be diluted after taking into account rationalisation costs.

it is a bold move, but a risky one, made chancler by the possibility that Coca-Cola and PepsiCo would find ways of exacting retribution against a suddenly more threatening competitor. The task of digesting the acquisition could also distract manag from growing problems at Coca-Cola Schweppes Beverages in the UK.

Northern Electric

Northern's defence against Trafalgar
House's £1.2bn bld is lackhustre. One
line, evident in yesterday's document,
involves enipting at the convertible
stock and "Grids" Trafalgar is offering
as part of tha bid. Though these sectirities have drawbacks, Northern's criticism misses the point; if shareholders
do not like the look of them, they can do not like the look of them, they can take £10.48 per share in cash. Another line of defence involves campaigning for the hid to be referred to the Monopolies and Mergers Commission. That can hardly endear Northern to shareholders. A referral would send its

shares plummeting.

A better defence would be to spell out plans to enhance shareholder value through bigger share buy-backs or special dividends. Yesterday North-ern threw shareholders a sop by pron-ising to pass them any special divi-dend it receives from the National . Grid prior to its flotation, but the com pany's ungeared balance sheet shows it could do more. The huge tax advan-tages to Trafalgar of a takeover, esti-mated by Northern at over 52 a share. mean it can afford to increase its bid substantially. But Trafalgar has no incentive to do so unless Northern demonstrates more vigorously the value of independence.

Prudential

Mr Mick Newmarch's suddan departure from the Prudential may be -no more than an extreme gesture of exasperation at the burden imposed by the UK's financial services regulatory regime. But yesterday's announcement, citing also Mr. Newmarch's contretemps with the Stock Exchange, was deeply muddling. Mr Newmarch's strategy for diversitying the Pru away from the UK life sector may have been well-executed and well-received by shareholdars, but his conflicts with tha regulators, as wall as the manner of his exit, were counter-productive

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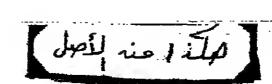
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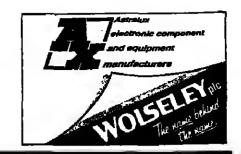


FINANCIAL TIMES

COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1995

Tuesday January 24 1995



IN BRIEF

BMW examines telecoms venture

BMW, the German motor group, may expand into telecommunications by taking a stake of up to 25 per cent in the joint venture unveiled two weeks ago between British Telecommunications (BT) and Viag, the German industrial conglomerate. Page 18

Schneider unit hit by property losses Shares in Spie Batignolles, the construction and civil engineering arm of France's Groupe Schneider. fell sharply after its parent warned that continued property losses would force a financial restructuring at its subsidiary. Page 18

Merrill Lynch earnings silde
Merrill Lynch, the leading Wall Street firm which
has recently been overshadowed by the Orange
County bankruptcy, reported that fourth-quarter
diluted earnings had fallen sharply to 75 cents a
share from \$1.53. Page 20

Portuguese banks of war Competition between Portugal's banks has changed rapidly to a clash of titans. The success of three pending bids, together worth Es465bn (\$2.94bn), would create three dominant groups controlling 65 per cent of the total assets of a sector divided among relatively diminutive groups. Page 20

BBV dragged down by trading losses Pre-tax profits at Banco Bilbao Vizcaya, the Spanish banking group, fell 5.7 per cent last year after heavy trading losses incurred by its treasury department.

ns Issues gas turbine challenge Siemens, the German industrial group, has thrown down a challenge to its rivals in the world power station market by unveiling what it claims is the world's most efficient gas turbine. Page 21

Energy groups produce pleasant surprise A handful of hig US energy groups reported better than expected results. A rebound in earnings from the cyclical chemicals business enabled Exxon and Amoco to stave off most of the effects of weaker profit margins from refining and a sharp drop in natural gas prices. Texaco, which sold the bulk of its chemicals operations last year, suffered a bigger decline in earnings. Page 19

Interim head found for air crash company Saint Louis, the French sugar and paper group, said deputy chairman Nicholas Clive Worms would take over as interim chairman after an emergency board meeting following the death of Bernard Dumon in an air crash last week, Nicholas Clive Worms is also chairman of Worms et Cie.

Cans and cannots US and European aluminium groups are in disagreement about the pricing of can sheet, a material used to make drinks cans and which accounts for about 14 per cent of aluminium demand outside the former Soviet Union. Page 23

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FRANKFUR	t libert)			PARES (FR)			
Palls. Atana	617.5	_	9.5	New Minds	990	+	18
310N	743	_	14	Falls			
BHF Back	362	_	6.5	ABF	178.5	-	11.5
Deletier Briz	709.5	_	22	Air Lineide	708	-	26
	343	_	15	Ecca	551	-	32
Lindype	631	_	14	Seb SA	497	-	17
Ponche MEW YORK		_		Soc General TOKYO (Yest	489	-	22
Ribou Amoco	5916	+	34	Patte			
Dr Pepper	31%		15	Canon Sales	2400	-	270
Falls				Del Tok Feat	615	-	45
Hew Pack	10314	-	1%	Stracky)	663	-	52
EM	73%	_	1%	Ling Tim Circ	921 -	-	99
Motorola		_	1	Misukoshi	900	-	110
Stratus Com	28%	-	10%	Tool	991 Janes	-	84

Chief price changes yesterday

IBM returns to profit with strong quarter

By Louise Kehoe in San Francisco

International Business Machines reported its first full year of profitability and revenue growth since 1990, with fourth quarter results well above Wall Street projections. IBM's share price, however, fell on concerns about a decline of personal computer sales. IBM was trading at \$73% in mid-session. down from Friday's close of \$75%.

Net earnings for the quarter were \$1.2bn, or \$2.06 a share, compared with \$321m or 55 cents a share in the same period last year. Wall Street analysts

share. Fourth quarter revenue was \$19.9hm, an increase of 6.6 per cent over \$18.7bn with the same period of 1993, after adjusting for the the 1993 sale of Federal Systems Company.

"We're pleased with our overall perfor-

mance in the fourth quarter," said Mr Lou Gerstner, IBM chairman and chief executive. "Demand generally was strong across our product line, and demand for mainframes and storage products far outstripped supply."

IBM's personal computer business was weak, however, Mr Gerstner acknowl-

edged. "We are disappointed." he said.
"Actions to improve the competitiveness
of this unit are continuing on an aggressive schedule." Mr Jerry York, chief
financial officer, added: "There is an excruciatingly high sense of urgency [to improve the performance of the PC business]. This is one sixth of our husiness and it is underperforming materially.
We will turn this thing around."
Analysts expressed concerns that

Falling sales of personal computers worry markets but executives vow 'to turn this thing around'

although IBM's overall revanues increased, the growth was in older segments of the business rather than in the PC sector where the pace of market

mainframe computers exceeded supply. mainframe revenue declined as a result of price reductions. Mr York said mainframe revenues are expected to fall by 10 to 15 per cent in 1995. "On a full-year basis, IBM made real progress in 1994," Mr Gerstner said. Total revenue increased 6 per cent, to \$64.1bn from last year's \$60.4bn, adjusted for the sale of FSC. Net earnings for the year were S3bn, or \$1.92 per share (net loss of \$96m

or 25 cents a share in 1993). "We cut expenses hy \$3.5bn (or 15 per cent) and we have completed nearly 80

goal. We finished the year with more than \$10bn in cash and our cash flow from operations was strong despite significant restructuring payments.

"Despite the progress we have made, however, we are not satisfied with our revenue growth," Mr Gerstner said. Revenue from Europe was up 8 per cent at \$7.6bn in the fourth quarter, while Asia-Pacific revenue grew 11 per cent to \$3.4bn. US revenue was \$7.0bn, up 5 per cent. Total hardware sales rose 3 per cent to \$10.6bn while software rev-

enue grew 7 per cent to \$3.3bn.

Purchase will strengthen relations with bottlers, writes Roderick Oram

Dr Pepper's remedy for a Cadbury ill

explains best why Cadbury Schweppes, the UK confectionery and soft drinks maker, has to buy Dr Pepper/-Seven-Up Companies, the third-largest US soft drinks maker.

Even with famous international brands such as Schweppes and Canada Dry and US ones including A&W and Mott's, Cadbury has to use some 1,000 independent bottlers to cobble together a mere 5.5 per cent of the US soft drinks market.

In contrast, Coca-Cola and PepsiCo use only some 120 bot-tling companies each, either independents or ones they own directly, to achieve market shares respectively of 41 per cent and 32 per cent. Worse, Cadbury's lack of distri-

bution and brand clout in the US jeopardises its global strategy. Unless it achieves critical mass in the US, accounting for one-third of the global soft drink market, it can never achieve its ambition of becoming the world's largest supplier of non-cola

"With Dr Pepper under their belts, I'd feel a lot more comfortable about Cadhury's drinks strategy," a London analyst said

In 10 years Cadbury's share of the world soft drink market has gone from "half a per cent on a nice day" to some 5 per cent now. Throughout Cadbury's eight-year stalking of Dr Pepper, the City of London has remained sceptical it could become a force in the

Dr Pepper is the only acquisition Cadbury could make to solve the strategic problem. Dr Pepper may be only the fourth largest US soft drinks brand and Seven-Up the eighth, but they dwarf anything in Cadbury's portfolio. Dr Pepper, for example, sells almost six times the volume of US hrand.

Moreover, Dr Pepper was the fastest growing US non-cola drink last year and the Dallasbased company is the largest player in the US non-cola market with more than 40 per cent.

With consumers tiring of colas and seeking greater variety in their soft drinks, Coke, Pensi and other players such as Qoaker Oats, through its recent Snapple purchase, are pushing harder than ever into non-cola drinks putting pressure on the relations of Dr Pepper and Cadbury with their bottlers.

Teither company has its own bottling plants so they are dependent on selling their syrups to indepen-dent soft drink makers - most of which are aligned to either Coke or Pepsi and produce their prod-ucts. The bottlers are free to take on products from other companies but the danger is that Coke or Pepsi can put pressure on them stick entirely with them.

Pepper volumes go through inde-pendent bottlers aligned with either Coke or Pepsi. Unless, Dr Pepper can present a strong product portfolio, it runs the risk of being edged out of bottlers' lineups by new, heavily promoted non-cola products from Coke and

If Cadbury succeeds in huying Dr Pepper, it will "make them the independent franchiser of soft drinks", said Mr Jesse Meyers. publisher of Beverage Digest, a US newsletter.

A portfolio running from Dr Pepper to Schweppes, pushed by a restructured management with a global vision and Cadbury's resources, would make the combined company a viable long-term competitor to Coke and Pepsi, he adds.

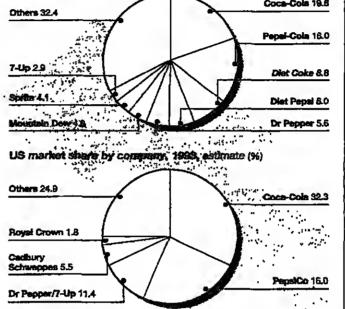
The share price of Cadbury Schweppes fell 12p to 389p yesterday after it confirmed it was negotiating a marger with Dr Pepper/ Seven-Up Companies and that it would partially finance the deal with a rights issue of some £500m (\$780m).

The logic of the deal was welcome by analysts but some expressed concern about the financial stretch for Cadhury. The company tried to smooth these concerns, saying it would only do a deal if the effect on its own earnings per share was "no worse than broadly neotral in 1995 prior to charging reorganisation costs, and positive in 1996 and thereafter". Moreover, it would also expect interest cover to remain It added that "there can be no assurances" that the discussions will

result in a definitive agreement. Dr Pepper's shares were up \$1% at \$31% yesterday lunchtime.

The statement was prompted by the leaking of news of the pending deal over the weekend. Dr Pepper's management is understood to have agreed in principle to a Cadbury hid at about \$33 a share.

Tough competition in soft drinks market US market share by brand, 1993, estimate (%)



Sales	LIKC	Europe	Americas	Pacific Him	Africa & others	Total
Confectionery	387.9	154.4	42.6	152.5	56.8	7972
Вечегадев	351.7	180.3	308.0		33.7	970.9
Total	739.B	. 334.7	350.5	245.8	93.6	1,780.5
Tracing profit						- 11
Costectionery	41.5	. 14.4	10.2	21.4.	. 5.6	93.12
Beverages	51.2		45.8	7.7	6.9	120.8
Total	93.1.	-23.2	68.0	29.1	12.5	2134

favour with Coke and Pepsi

This deal would put Cadbury

within yodelling distance of Coke

and Pepsi," Mr Meyers says

Trouble is, the call of an embold-

ened Cadbury would wake them

where it needs them.

to its global ambitions.

Lex, Page 18

Integration would be the next hurdle. Large costs can be saved from the combined husinesses in sales, marketing and production of the syrups shipped to bottlers. But "they must be hrought together with great sensitivity", one analyst said. This applies to combining staff, given Dr Pepper's proud Texan history, but importantly to the bottlers. Quaker Oats, which is being sued

Source: Wheat First Butcher Singer, Cadbury Schweopes

Cachury Schwennes, a months to June 1994

by some Snapple bottlers, has found how easy it is to upset them. "The quickest way to destroy the value of the business is to alienate the bottlers," added another analyst. The deal also carries financial risks. Paying down some £1bn of

debt from the purchase will reduce the resources Cadbury has to match the marketing muscle of Coke and Pepsi.

But perhaps the hardest task lies outside the US. Cadbury is disadvantaged in many markets by the lack of its own large, strong brands and thus it relies on Coke or Pepsi. This is particularly clear in the UK where it owns 51 per cent of Coca-Cola Schweppes Beverages but elsewhere in Europe it continues to lose franchises from Coke and Pepsi. Not only must it parlay Dr Pepper into an international hrand, it must also keep in

Metallgesellschaft calls ex-chief's claims 'grotesque'

The conflict over last year's near collapse of Metaligesellschaft reached a new pitch of bitterness yesterday as the German industrial and trading company reacted sharply to a US lawsuit brought by Mr Heinz Schimmel-

busch, its dismissed chairman. Mr Schimmelhusch has filed a \$10m suit against the company, Mr Ronaldo Schmitz (head of Metallgesellschaft's supervisory board and a director of Deutsche Bank) and Deutsche Bank, alleging "a systematic campaign of defamation".

He claimed in the suit that the way Mr Schmitz and the bank liquidated the oil futures contracts which tipped the company into crisis "quickly and need-lessly brought MGAG [Metall-gesellschaft AG] to the brink of bankruptcy". The lawsuit, filed in the

supreme court of New York state, added: "Their campaign to cover up their actions with false and defamatory charges against Schimmelbusch has all but destroyed his reputation and rendered him virtually unemployable commensurate with his prior position." Metallgesellschaft rejected Mr

said it would sue him once a full study of the whole affair was ready in the next few days. This is being prepared by the auditing firms of Wollert-Elmendorff and Coopers & Lybrand.

Although Metallgesellschaft declined to say what the report might contain, it said the intention had always been to sue Mr Schimmelbasch when all the facts were known. Metallgesellschaft said his claims in the law-

attempt" by him to make headlines hefore the report - which he clearly expected to be critical

- was produced. Deutsche Bank, which led the DM3.4bn (\$2.2bn) rescue operation of Metallgesellschaft and owns 11 per cent of the shares, also reacted strongly to the claims. It called them part of "a continuing campaign of disinformation" by Mr Schimmelbusch and others to "distract and divert attention from their responsibility and culpability in the Metall-gesellschaft affair".

The lawsuit makes clear the bad feeling between Mr Schimmelbusch and Mr Schmitz. It said Mr Schmitz was unsuited to the role of Metallgesellschaft's super-visory board chairman and was hostile to its trading activities. He also had a longstanding dis-

like of Schimmelhusch," it added. Mr Schimmelbusch was dismissed in December 1993 after the extent of Metallgesellschaft's exposure to the US oil trading losses became known. Mr Schimmelbusch alleges that the way these derivatives contracts were wound np under Mr Schmitz's direction made the losses higher than they need have been. Some support this argument.

in interviews with Der Splegel magazine, Mr Schmitz has accused Mr Schimmelbusch of not keeping him properly informed of what was going on Mr Schimmelbusch bas countered that Mr Schmitz engineered huge losses at Metaligesellschaft to remove the management and gain control. Deutsche Bank called this statement by Mr Schimmelbusch "grotesque".

Wolford makes 'denier cri' to the women of Paris and Vienna

By lan Rodger in Vienna

Wolford, the leading maker of luxury tights, is to be floated on the Vienna and Paris stock exchanges in a whirl of glamour and at a price that values the group at about Schl.05bn

Marketing posters in Vienna refer to Wolford as a "lady share" and appeal to women that the offer price, which will be between Sch499 and Sch459 apiece, "is just about the cost of a genuine pair of Wolford

Does this mean the offerer will discriminate in favour of female applicants for shares?

"No, it is simply an invitation to our beautiful consumers," Mr Fritz Humer, the group's chief executive said yesterday.

is February 14. St Valentine's

Men who have never heard of to rise to at least Sch89m this Wolford should consult the women in their lives. In the past four years, this Austrian familycontrolled group has built up a strong international reputation for high fashion, high quality

In this period, under new management, it has jettisooed most of its low margin contract business and concentrated on developing and selling new lines under its own brand name. Last year, it introduced the world's first seamless tights.

Sales of branded products have jumped from Sch785.4m in the year to April 30 1992, to an expected Schl.09bn in the current year, while contract sales have fallen from Sch506.7m to an

expected Sch148m Net income has grown only The launch date for the shares modestly from Sch56.9m in 1992 to Sch68.2m last year during this transition period, but is expected Observer. Page 15

Overall, the tights market is contracting mainly because of improved product durability and fashion changes, but Wolford believes its sales will continue to grow hecause women will be willing to spend more for the fewer pairs they buy.
The 1.09m shares in the flota-

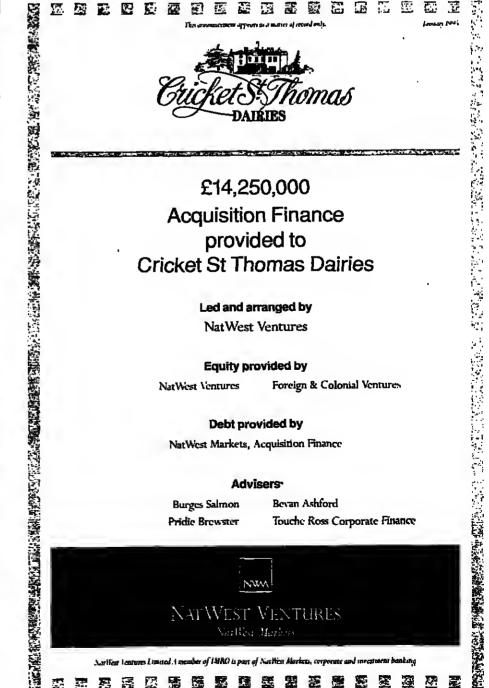
tion represent 48 per cent of the Existing shareholders, mainly the Vienna venture capital group Unternehmens Invest, are selling

Proceeds from the 200m new shares will be used for investment in new capacity. The Palmers family of Vienna will retain a 50 per cent stake. Creditanstalt-Bankverein is

lead manager, Credit Lyonnais is

responsible for sales ontside

Austria.



BMW considering 25% stake in telecoms venture

By Michael Lindemann

BMW, the German motor group, may expand into telecommunications by taking a stake of up to 25 per cent in the joint venture unveiled two weeks ago hetween British Telecommunications (BT) and Viag, the German industrial

Mr Bernd Pischetsrieder, BMW's chief executive, said talks had started between the companies but could give no further details. Viag said a "first round of non-committal

talks" had begun. If BMW does take a stake in the new company, Viag Inter-Kom, it will significantly strengthen a venture which includes one of Europe's big-gest telecommunications oper-

Strike

traders

by Matif

ers, or negotiateurs individuels

de parquet, who normally trade

the notional hond contract

turned up for work, causing

volumes to drop by more than

10 per cent. Just two of the

usual 20 traded Pibor. All 20

involved in the CAC-40 showed

Some 70 local traders operate

on the Matif, up from 50 since

the membership option was

introduced in 1988, when the

market separated those buying

and selling on their own behalf

from those in working for third

parties or directly for

effort to resolve the dispute.

up for work.

largest company in sales

At the launch of Viag Inter-Kom, Viag said it was talking to Bayerische Vereinsbank and Bayerische Hypobank, Bavaria's two higgest banks, about taking a stake in the joint venture, which hopes to win a licence to provide voice telephony services in competition with Deutsche Telekom, the state-owned monopolist.

At the time, Mr Georg Ober-meier, Viag's finance director, said up to five other partners might take a stake alongside BT and Viag, which each own 37.5 per cent. He said the part-ners were likely to be German so that InterKom had a better chance of winning a voice telephony licence.
Following the announcement

ators and Germany's tenth of talks with BMW yesterday it seems likely that the partners will he the Bayarian companies, given that Viag InterKom is counting heavily on support from the Bavarian state government to win one of the

Viag interKom hopes to offer a variety of data and intracompany services on a corporate network. Operators which will compete with Deutsche Telekom in the provision of voice telephony must he licensed by the beginning of 1998, in line with European Union guidelines. However, Viag interKom is hoping that a decision will be made before then which would allow it to open the existing fibre-optic cable network - built around the Bayernwerk utility - to

Eurocopter still in red as turnover falls

By Cavid Buchan in Paris

By Andrew Jack in Paris Eurocopter, the joint venture More than half of the individual traders on Matif, the French financial futures marbetween Aérospatiale of France and Germany's Dalmier-Benz Aerospace (Dasa), remained in the red ket, went on strike yesterday last year, but cut the losses to protest against proposed reases in their fees. from the 1993 level of FFr462m None of the 30 "local" trad-

(\$88.5m). The company said it was pinning bopes of recovery in the military sector on winning contracts this year for its Tigre belicopter from the UK and Dutch armed forces.

Turnover last year fell by 12 per cent to FFr89bn from FFr10.3bn in 1993, as sales of new machines dropped from 166 to 133 over the same period. Sales of second-band helicopters, however, picked up from 43 in 1993 to 62 last year, a trend which the company interpreted as showing that clients were cautiously coming back to the

The association of local traders voted for a week long strike last Friday after Matif pro-The pace of new orders decreased to FFr7.3hn last year posed to increase their fees from FFr9.3bn in 1993, with the from an average FFr2.85 to drop particularly marked in FFr3.40 per trade. Last night, orders for the Super Puma/ they were locked in talks with Cougar heavy range. Matif's management in an

In spite of lower turnover and orders, Mr Jean-François

of Eurocopter, said the company bad managed to reduce deht by FFrihn in

But it would have to continue restructuring this year, and Mr Bigay said the board first had to decide how much provision to make for the 1995 "adaptation" plan before arriving at a final loss figure for

Eurocopter retained its position as the largest exporter of civil helicopters, with roughly half the world market in this

However, it has only 10-15 ner cent of the military market where it is facing fierce competition from Russian helicopter makers who have now carved out one-third of the market for themselves. Aérospatiale and Dasa hope

to use the Eurocopter model for the joint companies which they are trying to negotiate in missiles and satellites. The state-owned French company, which has 60 per cent of Euro-copter, is aiming at retaining a slight dominance in the planned missile merger, partly hy giving Eurocopter itself a

Schneider unit hit hard by losses in property

By John Ridding in Paris

Shares in Spie Batignolles, the construction and civil engineering arm of France's Gronpe Schneider, fell sharply yesterday after its parent warned that continued property losses would force a financial restructuring at its

subsidiary. Spie Batignolles, whose shares fell FFr26 to FFr222 after the statement hy Schneider, is the latest victim in France's troubled property sector. Last week. Générale des Eaux, the water and communications groop, and GAN, the state-owned iosnrer, both revealed their need for capital njections to cover substantial

losses in property activities. Schneider, which has seen profits improve in its other divisions, declined to comment on details of the restructuring at Spie Batignolles. However. industry analysts said it could involve a recapitalisation of Spie Batignolles, or a spin-off of its property assets.

Schneider yesterday denied press reports that Skanska AB of Sweden was about to take a significant stake in its subsidiary. "A financial restructuring of Spie Batignolles must occur hefore it can possibly progress in potential discussions with Freoch or foreign partners concerning its operating activities," it said. Swedish press reports had claimed that Skanska was about to spend about SKrlbn (\$135m) on a large stake in Spie Batig-

Industry analysts said Schneider's statement suggested that property losses at Spie Batignolles could he higger than expected.

Spie Batignolles bas been in the red since 1991, when it suf-fered a net loss of FFr952m. In the first balf of last year, the deficit was cot FFr59m from FFr70m in the same period in 1993. With the exception of property activities, and losses stemming from unpaid contracts, the snhsidlary's activities have returned to profit

At the group level. Schneider has seen profits grow

Mercedes unveils van sales drive

WORKFORCE

VOLUME SALES (UNITS)

197,000

593,000

520,000

590,000

By Kevin Dona, Motor Industry Correspondent, in Düsseldorf

The commercial vehicle operations of Mercedes-Benz, the world's biggest truckmaker, will return to profit this year following two years of losses. Mr Helmut Werner, chief executive said vesterday.

He made the forecast as the company unveiled an amhitious strategy for attacking the domination of Volkswagen and Ford in the west European light commercial vehicle market. It plans to raise its van production capacity in Europe by 60 per cent and to begin van assembly in South America. It will use the launch of a

new medium heavy duty van range, the Sprinter, to cut all van prices by between 10 and 15 per cent in Germany and some other important markets. including Italy, to gain market share from its rivals.

Mercedes-Benz is introducing two van ranges in Europe this year, starting with the Sprinter, which was unveiled yesterday. The van was devel-oped in a 53-month, DM1.4bn 18933m; investment programme. It will replace two existing products, the Germanbuilt TI van range and the Spanish-built MB100D range. which was only hullt in

left-hand drive versions. According to Mr Bernd Gottschalk, bead of Mercedes-Benz's commercial vehicle operations, the time taken to assemble the Sprinter has been cut hy 40 per cent compared with its predecessors. Around

260 robots have been added to the body welding operations, where the level of automation has been raised dramatically to around 85 per cent. In a second step later this Mercedes-Benz will

end 1994

launch a second, lighter van range, the City Transporter, which will be built at its plant at Vitoria, Spain with a capacity for 55,000 vans a year. Mr Gottschalk said the com-

pany was increasing its van production capacity in Europe from 100,000 to 160,000 a year.

It was aiming to raise its market share in western Europe from 13 per cent last year to 20 per cent by 1998, and to lift its share of the German van market from 20.1 per cent to 30 per cent. Mr Werner said Mercedes-

Benz was planning to invest

MERCEDES-BENZ TURNROUND market Swatch watches. Mr Werner said that the productivity of Mercedes Benz's car operations had improved by 30 per cent last year, while the productivity of the com-160,200 mercial vehicle operations had been raised by around 25 per The company had rebounded 292,000 275,000

292,000

Source company Agures

DM3.5bn in its commercial

vehicle operations in the next

three years, with an additional

DM3hn to be spent on research

car sales worldwide last year

by 17 per cent to 593,000, and

its commercial vehicle sales by

15 per cent to 292,000, said Mr

Werner. Turnover rose 9 per cent to DM70.5bn from

The company has been dras-

tically restructured in the last

two years after it plunged to a net loss of DM1.19on in 1993:

It has stunned rival car-

makers with the audacity of its

moves to transform its product

development strategy, with for-ays into new product segments

for small cars and, more recently, micro cars, the latter

in a joint venture with SMH.

DM61.7bn a year earlier.

The company increased its

and product development.

"strongly into the black", he

Car production, which rose 22.7 per cent last year to 590,000 from 481,000 in 1993, would be little changed in 1995, said Mr Werner, and would be constrained by the introduction of a new generation. E-Class executive car range in the second half of the year.

Output. of commercial vehicles, which rose 20.7 per cent to 292,000 last year from 242,000 in 1993, would rise sig-nificantly again in 1995 to well in excess of 300,000" said

Mr Werner. With its new offensive, Mercodes-Benz aims to benefit from the extreme weakness of rivals such as General Motors in the European market, as well as from the waning influence of the Japanese produc-ers, which controlled around 14.9 per cent of the market last

It must also take significant share from its much stronger rivals Volkswagen, Ford and Fiat, as well as from the French producers Renault and the PSA Peugeot-Citroen group, however, and Mr Gotts-

Kalagher to head global | Metro-Richelien boosts operations of Seagram

By Robert Gibbens

Mr Steven Kalagher, who has been leading Seagram's global reorganisation, will take over on June 1 as president of the company's international spirits and wine operations, which account for annual sales of

Seagram, one of the world's higgest drinks groups which owns almost 25 per cent of the Du Pont chemical and energy giant and 15 per cent of Time Warner, said Mr Kalagher, 52, will succeed Mr Edward McDonnell. 59, who retires June 1. Mr McDonnell will remain a Seagram director and a consultant on acquisitions

and alliances. Mr McDonnell has led the international expansion of Seagram's spirits and wine business since the mid-1980s.

He joined Seagram in 1981 and became a director in 1993. "This is an orderly and planned succession," said Mr Chris Tofalli, communications director of Seagram.

Mr Fernando Kfouri was named president of the newlycreated Seagram Americas covering spirits operations In the US and Canada and spirits and wines in Latin

net in opening quarter

By Robert Gibbens

eastern Canada food distributor, posted first-quarter net profit of C\$11.6m (US\$8.1m), or 34 cents a share, up 45 per cent from C\$8m, or 23 cents, a year earlier. Sales rose 6 per cent to C\$71770

Metro continued to gain a market share in the three months ended December 17, said Mr Pierre Lessard, presi-

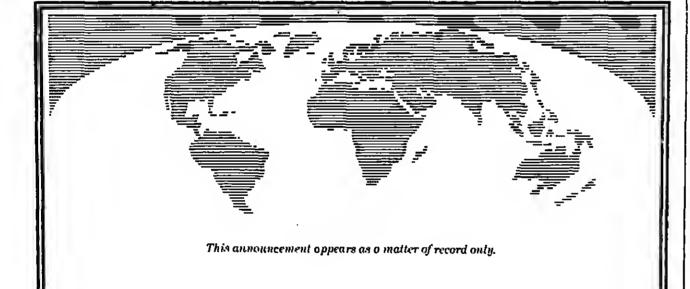
This year the company will invest C\$32m in its wholesale and retail operations. Northern Telecom, the

munications equipment maker is setting up a joint Metro-Richalieu, a leading venture in Shenyang, China, to make fibre optic cable switches.

Its partner is Liaoning Posts Scientifics Research Institute. Initially the Canadian group will invest com for a 55 per cent interest in Shenyang Nor-

Nortel already has several hundred million dollars invested or committed in PBX switching and semi-conductor manufacturing joint ventures

It is among the top three international telecom suppliers



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FT CONFERENCES

INTERCONNECTION - THE EVOLVING UK PROGRAMME AND

Senior speakers from OFTEL, led by Mr Don Cruickshank its Director General, will look at the key assues of the UK's Interconnection programme. This joint conference will also address interconnection and competition in international telecommunications, with presentations from Mr Scott B Herris, US Federal Communications Commission; Mr Nicholas Argyris, European Co and Mr Jan Freese, Swedish National Post and Telecom Agency.

The annual FT meeting, the tenth in e highly successful series, will focus on block exemption, examine the changing relationship between vehicle manufacturers and dealers and address the issue of competitiveness in the automotive components sector. Speakers include: Professor Garel Rhys OBE Cardiff Business School; Sir Trevor Chinn CVO, Lax Service PLC; David Micholas, Unipart Industries; Rich Van Leeuwen, Ford Credit Britain and Gérard Chiffert, Rockwell Automotive Light Vehicle Systems.

London, 27 & 28 February 1995

The Financial Times' 14th annual conference is being held at a critical time when the vision of the new media is turning into reality. The conference will offer insights into the latest developments both in the context of business and investment unplications and the context of technology. Speakers include: Mr Barry Spikings. The Pleskow/Spikings Partnership, USA; Mr Michael Schrage, Massachusetts Institute of Technology; Mr Robert Phillis, British Broadcasting Corporation; Mr Slephen Davidson, TeleWest Communications pic and Mr Marc Teseier, Carnel A.

WORLD STEEL INOUSTRY

London, 6 & 7 March 1995

This London conference arranged in association with CRU International, will bring together a distinguished panel of speakers from around the world to share their views on the key questions facing the Industry. The Industry's structure will be of paramount importance, to what extent should European producers form their own afficiences or margers to create a truly international industry? Will privatisation finally ley the subsidies issue to rest? What technology will steelmakers use to achieve the growth they are seeking? Speakers who will be taking part include Mr Brian S Moffat OBE, British Steel pitc, Mr Robert J Dannall, Inland Steel Industries Inc; Mr Karel Van Miert. European Commission: Mr Engris Mer I Internal Section and Mr Robert A. European Commission; Mr Francis Mer, Usinor Secilor and Mr Robert

INCIA'S ECONOMIC RENAISSANCE - OPPORTUNITIES FOR TRADE, FINANCE AND INVESTMENT New Delhi, 16 & 17 March 1995

ith and pace of economic reform that has taken place in India Given the breadth and page of economic reform that has taken place in India since 1991, this high-level FT forum will provide a unique opportunity to review the government's liberalisation programme and essess business and investment prospects. The meeting will also consider India's competitiveness in world markets and look at the challenges of improving the country's infrastructure. Speakers will include Mr Pranab Mukherjee, Minister of Communic Siz Breate Warfe Carry KCMC KCMD Remisus the Zopte Welfe. infrastructure. Speakers will include mi Franko mukinenjee, minister ui Commerce: Sir Robert Wade-Gery KCMG KCVO, Berclays de Zoete Wedd; Mr Dipankar Basu, State Bank of India; Mr Tetsuo Shimura, The Bank of Tokyo and Mr A Stephen Melcher, Eagle Star Holdings.

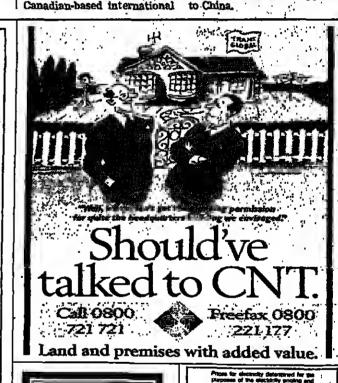
WORLD PHARMACEUTICALS CONFERENCE London, 20 & 21 March 1995

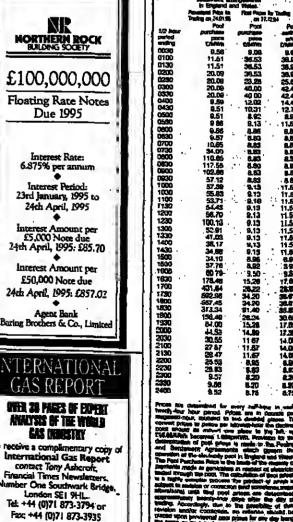
This year's conference, arranged jointly with Coopers & Lybrand, takes as its theme 'evolving from pills to healthcare - realising the ambition'. As governments worldwide seek to contain healthcare costs, the marketplace has become more competitive for R&D-based pharmaceutical majors. Many are now looking at new ways of working with the healthcare purchasers, whether in the US kee market environment or In Europeen-type social systems. Leading figures will outline their vision and strategies for moving from being pharmaceutical product-based companies to becoming "healthcare" players.

MARKETING PROFESSIONAL SERVICES '95

an internationally renowned line-up of experts and leading edge practitioners to provide practical guidance in getting better business through improved skills and client awareness. The first day is devoted to an interactive point of contact sales masterclass, examining the process of carrying marketing context through to the actual sale. Highlights of the second day include a debate on the findings of an exclusive benchmarking survey to establish best of the Office of Felt Trading on a decade of deregulation in the professions; and Professor Jack Mahaney of the London Business Bohool on ngprofessional ethics to a market facing culture. A series of 12 workshops lead by clients and practitioners will concentrate on specific skills and the special needs of particular types of clients. The Congress conclude with a dinner and presentation of the prestigious FT/Prof

All enquiries should be addressed to: Financial Times Conferences, P O Box 3651, London SW12 8PH, UK. Telephone: 081-673 9000, Fax: 081-673 1335.





INTERNATIONAL COMPANIES AND FINANCE

better than expected

in New York

A handful of big US energy groups reported better than expected results yesterday.

A rebound in earnings from

the cyclical chemicals business enabled Exxon and Amoco to stave off most of the effects of weaker profit margins from refining and a sharp drop in natural gas prices. Texaco, which sold the hulk of its chemicals operations last year, ouffered a higger decline in earnings.

Chemicals contributed \$414m to Exxon's earnings in the final three months of the year, and \$951m for 1994 as a whole (up from \$184m and \$411m respectively a year ago). Revenues in the division during the quarter were 26 per cent higher than a year before, at \$3 135hm

This offset much of the decline in Exxon's earnings from oil and natural gas, which in the final quarter declined \$400m to \$1.11bn from a year before, and for the year as a whole were down \$1.15bn to \$4.17hn.

The company's upstream (exploration and production) earnings were hurt by lower natural gas prices in Europe and, particularly, in the US, due to a mild winter so far to a mild winter so far.

October. Even though oil prices were higher in the quarter, compared with the final months of 1993, Exxon's upstream earnings fell 14 per cent from a year before, to \$729m. Full-year earnings

dropped 16 per cent, to \$2.78bn. Exxon's downstream (refining and marketing) profits, meanwhile, slid on weaker profit margins due to oversupply in the industry, falling 43 per cent to \$382m in the quar-ter and 31 per cent for the year

The latest quarter was boosted by \$423m of one-off credits, partly due to tax factors, compared with credits of \$113m the year before. For the year, one-off charges of \$433m were lower than the \$597m of

Many of the same factors were apparent in figures from Amoco, which is both more dependent on natural gas production than many US rivals, with around 40 per cent of its production from this source, and relies more heavily on

Amoco's earnings from chemicals jumped to \$188m on revenues of \$1.30km during the quarter, up from \$83m on revenues of \$925m the year before. Full-year earnings climbed to

Upstream profits at Amoco during the quarter were off 20 per cent from the year before, at \$268m. Downstream earnings fell to \$102m from \$259m

due to lower margins.
One-off gains in the latest period amounted to \$78m, compared with \$120m in the yearago period. Leaving these aside, fourth-quarter results were down only som from the year before, at \$458m.

Texaco's figures also reflected the poor conditions in the refining business, although higher production in its non-US exploration and production operations and a small profit from a disposal helped it to report higher earnings for the quarter.

Texaco's downstream buslnesses recorded earnings of \$180m in the quarter and \$617m during the year, down from \$220m and \$649m, respec-

Exploration and production

profits, meanwhile rose 48 per cent during the quarter, to \$222m, in spite of a full-year decline of 18 per cent for the year as a whole, to \$667m. The company reported a gain of \$18m in the quarter from

disposals, compared with a loss of \$10m the year before, For the full year, one-off charges were \$69m, down from \$174m

US energy groups' results | Fox deal challenges the US establishment

Reuters may gain significant revenue from the link, writes Alice Rawsthorn

For Television gathered in Las Vegas this weekend, they not only saw the usual previews of its summer shows but were also told that Fox had clinched a deal with Reuters, the international information group, to co-produce an ambitious new ser-

rice in the US. The Reuters deal, details of which have not been disclosed, forms an important part of Fox's long-term strategy of challenging the "big three" US television networks - ABC. CBS and NBC - hy creating a comprehensive US television service.

For Mr Rupert Murdoch, whose News Corp owns For Television, it is intended as the first of a series of joint ven-tures between Reuters and his international broadcasting Reuters stands to gain as

much as Mr Murdoch. It has been building up its television interests for the past two years. The liaison with Fox and, possibly, with other Murdoch broadcasting businesses. could become a significant

source of revenue. It also offers an opportunity for Reuters, aided and abetted by Mr Murdoch, to mount a formidable challenge to Cable News Net-work the US "big three" and other international broadcasting organisations in television

Although Reuters is one of the world's leading news agencles, it has traditionally used its international network of iournalists to supply newspapers and magazines.

It started to develop its television interests two years ago when it took control of Visnews, the broadcast newe agency in which it had held a minority stake, hy buying out NBC and the BBC.

Reuters then integrated the Visnews operation (renamed Reuters Television) into its editorial offices. This enabled it to expand the original network into a larger and more sophisticated international news-gathering operation at relatively

The timing was perfect. Reu-ters had diversified into television at a time of rapidly changing technology. The new generation of talevision cameras were lighter, more mobile and easier to operate than their predecessors, eradicating the need for large, expensive US reporting teams.

This arrangement will Similarly, the availability of enable Mr Murdoch to enhance satellite feeds made it faster Fox's programming by providand cheaper to send images. ing a world-class news service, Reuters invested heavily in without the considerable cost equipping its network with the of creating one from scratch.

latest technology. Mr Alastair Smellie, media analyst at Lehhe cost of Sky News, the man Brothers in London, loss-making 24 hour satbelieves new technology has ellite news channel not only given Reuters "signifi-cant cost advantages" over its relayed by BSkyB, the UK satellite company in which Mr Murdoch and Pearson (the parolder-established rivals but has ent company of the Financial made its television news service "very fleet of foot". Times) have stakes, is believed The group has since become

to be £30m (\$47.7m) a year. Mr Murdoch now hopes to a regular source of film footage for established television news replicate the Fox deal in other organisations. It has also parts of the world. BSkyB has secured contracts to supply for some months been in talks news services to television with Reuters over plans to set companies such as GMTV, the UK hreakfast station, and up a joint news operation. This would enable BSkyB, which Ostankino 1 in Russia. had previously considered join-The Fox deal is its most ing forces with ITN, to cut the cost of running Sky News. Sky News would also be able ambitious to date. A team of Fox editors based at Reuters'

US headquarters in Washingto use Reuters' international ton DC will assemble a daily capability to develop a Euro-US news service from Reuters'

coverage of international challenging BBC World, the BBC's 24-hour satellite news events, local input from the Fox affiliates and national service and, possibly, ITN's role as sole news supplier to ITV and Channel 4 in the UK. reports from Fox and Reuters'

Mr Murdoch is also thought to be keen to strike a similar deal between Reuters and Star TV. his Asian satellite service. Star last year was forced to stop its news service to China Taiwan when the Chinese authorities insisted that it drop

> its feed from the BBC. Star set a precedent for a Reuters deal earlier this month when it reached agreement with four of the world's largest record companies - Japan's Sony, Warner of the US, the UK's Thorn-EMI and Bertelsmann of Germany - to take equity stakes in Channel [V]. its music video channel.

The announcement of the Fox transaction may belp BSkyB and Star to conclude their discussions with Reuters. Other international news services - such as CNN, the BBC and the US "big three" - have been left to assess the impact of the marriage between Reuters and the indomitable Mr

or Richelica hoss a septemble quarte

sales drig

ices in the	US have fallen b	y \$538	m from \$24	iom.	in	1993.			Ly
		US	ENERGY	COMPAN	IES				Ву Топу
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x00	5 100	5 290	1.000	1 500	4.07	4 27	1.53	1 20	petrock

Asia-Pacific aids Digital advance

Digital Equipment, the US computer group, was helped by strong growth in the Asia-Pacific region in its unexpected return to profit announced last week, Mr Bobby Choonavala, regional president said, Reuter reports from Hong Kong.

That second-quarter profit would help the US computer maker pursue its growth in the

Digital surprised analysts

last week with an \$18.9m profit in second-quarter fiscal 1995, its first profit since the fourth quarter of 1993. It lost \$72.1m in the same period last year. Global revenues rose 7 per cent to \$3.47bn.

Asia-Pacific gave a big boost with revenues up 26 per cent year-on-year, 41 per cent for products and 13 per cent for services, accounting for about 15 per cent of global revenue.

Mr Choonavala eald he hoped to improve on the 20-25 per cent annual growth recorded in recent years in the current year. Regional profit figures were not available, but Mr Choonavala noted the region had been in the black during the years the company overall was awash in red ink. Sales for banking and manufacturing applications were

particularly strong.

Chemical side lifts ondell earnings

l Petrochemical, the ducer of commodity emicals, saw its net earnings rise to \$223m last year, against \$4m hefore special items in 1993.

The increase was due to sharply higher chemical volume and prices, partly offset by lower earnings from

The company said the final quarter, in which earnings rose from \$14m to \$103m, was the best fourth quarter since the company went public in

Lyondell was spun off from the oil company Atlantic Richfield, which still holds a 49.9 per cent stake.

Combined sales volume of etbylena, propylene and polymers rose 13 per cent in the year to 6,090m lbs, and by 16 per cent in the last quarter.

raised prices for almost all products, in the case of ethylene by around 15 per cent. Further rises are due this

The refining operation was hlt by poor industry conditions, as well es by closures for maintenance in the final quarter.

month.

Refining profits fell by a third to \$54m for the year, and in the fourth quarter there was a \$1m loss. Operating margins in petrochemicals rose from 3 per

cent in the year to 20 per cent,

and to 30 per cent in the final Net margins for the group in the year rose to 5 per cent. This was still well below the peak year of 1988, when net

margins were almost 12 per Lyondell's shares rose \$1/4 to \$24% in early trading.

Laidlaw buys Mayflower for \$157m cash

By Bernard Simon in Toronto

Laidlaw, the Ontario-based waste services and transportation group, will expand its passenger services business by almost one-third with the purchase of the US-based Mayflower Group for US\$157m

Mayflower has extensive interests in the school bus and public transport sectors, with annual revenues of about

The purchase, which is expected to close around the end of the first quarter, excludes Mayflower's moving and storage businesses. Laidlaw earlier this month won the exclusive right to negotiate with Mavflower.

The Mayflower deal will add 6,500 vehicles to Laidlaw's 22,000-strong school bus fleet, and will more than double In the final quarter, stated Laidlaw's public transport earnings were down 6 per cent

Bell Atlantic in the red after charges

By Tony Jackson in New York

Bell Atlantic, the Phlladelphia-based regional telephone company, reported "solid" results for last year, with underlying net earnings up 10 per cent at \$1.5bm. However, after extraordinary charges totalling \$2.2bn, there was a net loss of \$755m.

The company bad already announced charges of \$2.15bn for accounting changes designed to reflect its move away from a regulated environ-

It also made a charge of \$19m in the final quarter for the effect of Mexican devaluation on its 42 per cent bolding in Grupo Iusacell, the Mexican mobile phone company. The company said It still believed usacell represented "a significant long term opportunity".

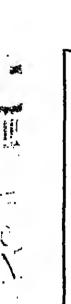
up 6 per cent at \$0.76. believe that we are positioned for record earnings in 1995, Mr Raymond Smith, chairman, Revenues from the compa-

basis, earnings per share were

ny's traditional local network rose by 4 per cent in the year, with the number of access lines up 3 per cent. Revenues from cellular phones rose 44 per cent, with the number of customers up 58 per cent at

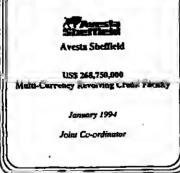
In the course of the year Bell Atlantic agreed to merge its domestic cellular business with that of Nynex, the New Yorkbased Baby Bell, and formed a further partnership with US West and AirTouch to bid for wireless licences in the current US government auction.

It also teamed with Nynex and Pacific Telesis to enter the video market.





Enskilda Corporate has changed its name to Enskilda as from 1 January, 1995 Leader in Nordic Debt and Equity Financing



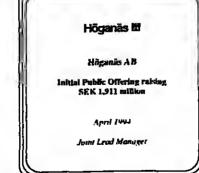


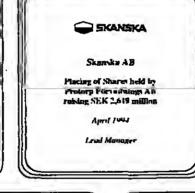














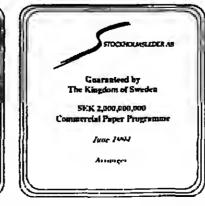
















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INTERNATIONAL COMPANIES AND FINANCE

Merrill Lynch earnings slide in final quarter

By Maggle Urry in New York

Merrill Lynch, the leading Wall Street firm which has recently been overshadowed by the Orange County hankruptcy, reported that fourth-quarter diluted earnings had fallen sharply to 75 cents a share

Until this quarter, Merrill's earnings had held up better than other securities firms' due to its broad spread of activities.

The results were below average market expectations of \$1.17. The shares fell \$11/4 to \$35% in early trading but

recovered some of that later. Mr Daniel Tully, chairman and chief executive, said the results for the whole of 1994, showing net income of \$1.02hn, down about 25 per cent on 1993, were still the second highest Merrill had reported.

In the final quarter, net revenues fell 24 per cent to \$2.09hn and net income was \$162m. down from \$347m. Hardest hit

underwritings of bond and equity issues where Merrill is market leader in the US, which fell 56 per cent to \$228m.

Revenues from principal transactions were down a third to \$454m and from commissions down 21 per cent to \$638m. However, asset management revenues rose 3 per cent

For the whole of 1994, revenues were 9 per cent lower at \$9.62bn. Earnings per share, on a diluted basis, were \$4.74, a fall from \$6.11 in 1993, before a 16 cents a share charge for an accounting change.

Mr Tully said costs had been cut, with the largest area, sala-ries and henefits, down 20 per cent to \$1.1bn in the final

Earlier this month, Merrill cut 180 jobs in its global capital markets division, which was taken as a signal that the firm did not expect the sharp drop

Mr Petter, whose approval is

required for any deal, said: "I have difficulty in seeing how

the proposed takeover could

meet [the government's] pobcy

Mr Irving Barber, Slocan's chairman, said the share buy-

back offer had the advantage

of an immediate cash payment

Slocan Forest plans buy-back to foil bid

By Bernard Simon in Toronto

British Columbia's forests min-ister, expressed concern about Vancouver-based Slocan Forest the concentration of ownership Products has offered to huy which would result from the back at least 10 per cent of its deal. He said more than half shares and has gained support from British Columbia's govthe tree-harvesting rights in the province's Prince George ernment in its efforts to foil a region would be controlled by bostile takeover bid from Cantwo companies, and that the for Corp. the forest products deal would reduce competition in the wood chip market.

Slocan said it would pay a minimum of C\$18 a share for 4m of its own shares. This corresponds to the cash portion of Canfor's offer. Canfor would swap 0.935 of its own shares for each remaining Slocan share. Its offer expires tonight.

The takeover, which values Slocan at ahout C\$700m (US\$493m), would create one of the world's higgest producers of sawn lumber, and would give Canfor a more secure

wood chip supply. terly dividend to However, Mr Andrew Petter, share from 5 cents.

Computer's poor figures hit shares

By Louise Kehoe in San Francisco

Stratus

Stratus Computer shares dropped sharply yesterday reported much lower than expected fourth-quarter earnings. It said it expected slower growth in sales for the year

The company's share price dropped 26 per cent to \$28% in mid session, down from Friday's close of \$39%.

Stratus is a leading provider of "fail safe" computer systems to the financial services and telecommunications industries. It reported revennes of \$151m for the fourth quarter, up 2 per cent from \$148.1m in the same period last year. Net income was \$13.4m, or 54 cents a share, compared with a loss of \$17.1m, or 72 cents.

The company took a previonsly announced charge of \$7.8m in connection with the recent acquisition of two software companies. Prior to the charge, earnings per share for the fourth quarter were 86 cents. Wall Street analysts had heen projecting earnings of about 92 cents a share. Mr William Foster, Stratus

chairman and chief executive. said US hardware sales remained weak, although international sales were stronger, with 46 per cent growth in direct sales and a strong performance by marketing

The company said it would launch a new generation of computers hased on Hewlett-Packard chip technology next month.

Mr Foster said revenue growth in 1995 should be "similar to or down slightly from" 1994's consolidated growth rate of 12 per cent. "Earnings per share growth for the full year, excluding the 1994 charge, should be in line with our revenue growth

Revenues for the 1994 fiscal

to shareholders without the year were \$576.6m, up from regulatory uncertaintles of \$513.7m in 1993. Net earnings Canfor's offer. were \$61m, or \$2.47 a share, after charges, compared with earnings of \$16.6m. or 70 cents, for 1993. Slocan has raised its quarterly dividend to 7.5 cents a

Portuguese banks in fight for supremacy

A sense of urgency underlies the recent spate of bidding activity, reports Peter Wise.

Net profit

ompetition hetween Portugal's banks bas changed rapidly from a courteous chess game to a clash of computer-age titans. The success of three pending bids, together worth Es46ahn (\$2.94bn), would create three dominant groups controlling 65 per cent of the total assets of a sector divided among relatively diminutive groups. A sense of urgency underlies

the struggle for supremacy. Troubled privatisations have delayed a process of banking consolidation long completed in most of Europe. This has resulted in audacious bids of an unprecedented magnitude for Portugal, whose largest bank ranks only 160th in the world. The bids have come when the banks' performances has weakened.

longer increase market share significantly through organic growth and have shifted to expansion by acquisition," says Lisbon economist. "But the sector is moving beyond the traditional com-mercial battle for deposits and seeking the improved produc-

"Portuguese banks can no

ing opportunities provided by big groups." Banco Comercial Portugues, an energetic bank founded eight years ago, is setting the pace. BCP soon became Portu-

tivity, cost-cutting, cross-sell-

gal's fifth largest group and appears determined to move swiftly to the top. Two previ-

ous hids to expand through - are expected to fight the large acquisitions were vetoed decision in court. BCP and Império have

by the government last year. BCP, in partnership with the insurance company Império, has sprung hack with a Es300.3hn bid for 100 per cent of Banco Portngues do Atlantico, the second higgest group. The bid, approved hy the government, depends on how successfully BPA's core sharebolders, led by the congiomerate Sonae, mount their

HOW THE BANKS RANK NOW

The ranking if bids are suc

4,046

BTA/BPSM

The government undermined their strategy last week hy announcing it would sell the 24.5 per cent the state still bolds in the bank to the highest hidder making an offer for 100 per cent.

The core shareholders, who say the government was committed to selling the stake to enabled them to block the bid

launched a separate Es11.6bn hid for control of União de Bancos Portugueses - a small retail bank thet is part of the BPA group - if they succeed in taking over the parent bank. Meanwhile, Mr António Champalimaud. a 76-year industrialist who is huying back a husiness empire pation. back a husiness empire nation-alised after Portugal's 1974 revolution, has been given government approval to pay Es153bn for 50 per cent of Banco Totta e

It has been welcomed by the government because Banesto side-stepped Portuguese law hy

Acores, the third largest bank.

The stake is held directly and

indirectly by Banco Español de

Crédito (Banesto), the Spanish

acquiring control of more than 25 per cent during the privati-sation process.

The bid could run into trouhle if Portugal's Securities and Exchange Commission rejects Mr Champalimaud's condition that he be exempted from mak-

ing a bid for 100 per cent. This is an invigorating time for banking in Portugal," says Ms Mari Vargas of Dillon Read Securities in London. "The dynamics of the whole sector are changing fast. The long-term benefits could be enormous. But every player will have to rethink their

BCP control of BPA would create a group accounting for 23.3 per cent of the sector's total assets.

Mr Champalimaud would control 17.6 per cent if he added BTA to his assets. State-owned Caixa Geral de Depósitos would remain the biggest group, with 24.5 per cent, but it is not strong in retail banking.

anks excluded from the large groups may not be happy with their new role as niche forces, and the wave of takeovers and mergers is likely to roll on. For exam-ple, the 8.9 per cent market share of Banco Espirito Santo. traditionally one of the top three commercial banks, would leave it far behind tha new

Banking consolidation has arrived late in Portugal largely

because of the long process of reversing the revolutionary nationalisations, when the state took over 90 per cent of

the financial sector. Reprivatisation began with BTA in 1989. But several loose ends remain, making the emergence of new groups complex

and painful. Pressure for consolidation has grown stronger as the per-formance of banks has grown

Slower profit growth is a result of recession and, more important, a steady increase in competition as privatisation progresses and foreign banks

move into the market.

The average financial margin, the difference between the rates at which banks raise and lend funds, has fallen to about 3 per cent from 7 per cent in

Banks are expected to show combined loss of Es180bn from narrower margins and lower bond revenue in 1994, equal to the sector's net profits in 1993. Profit growth is forecast to remain relatively flat in 1994 and 1995, before recover-

ing in 1996.
"These bids come at a time when the hanking sector, based purely on fundamentals. is looking unattractive due to the slow pace of economic recovery and banks' high pro-visioning levels," says Mr Trevenen Morris-Grantham,

Corning gains 19% before implant charge

By Tony Jackson in New York

Corning, the diversified US manufacturer, raised its net earnings for the year by 19 per cent to \$413m before special charges. Fourth-quarter net income rose 18 per ceot to

As previously announced, the company took a \$76m charge in the final quarter to cover its share of charges incurred hy its joint venture. Dow Corning, over silicone breast implants, including special charges, net income for the year was \$261m compared with a loss of \$121m in 1993, which

was hit by restructuring costs and Dow Corning charges. Mr James Houghton, chairman, said there had been large

increases in sales of optical fibre. The life sciences division had increased market share, primarily through acquisition. The consumer products husiness, consisting chiefly of Corning and Pyrex glassware, returned to profit during the

vear. Its European consumer business was sold for \$86m in November. Earnings per share for the year were \$1.52, against a loss of \$0.09. Corning's shares fell \$% to \$31% in early trading.

Pyramid agrees \$207m Siemens takeover offer

By Tony Jackson

Pyramid Technology, a Californian maker of computer servers, has agreed to be taken over by Siemens of Germany In a deal worth \$207m, or \$16 a

Talks with Slemens, which already owns 17 per cent of Pyramid, were announced earlier this month. Siemens said it would start a tender offer for the shares by

the end of this week. The offer requires a majority to be tendered. Pyramid's shares rose \$% to \$15% in early

Monsanto net income rises to \$622m in 1994

By Laurie Morse in Chicago

Monsanto, the US chemicals \$622m in 1994, equivalent to a record \$5.32 a share. That compares with net income of 494m, or \$4.10 a share, in 1993. It was helped by robust Latin

American sales of agricultural chemicals and contributions from its Searle pharmaceutical subsidiary. Sales for the year rose to \$8.3bn, from 1993's

In the fourth quarter, Monsanto had net income of \$54m. tural group operating income or 51 cents a share, on sales of rose to \$476m in 1994, from \$2.1bn. That compares with \$400m in 1993.

fourth-quarter 1993 net income \$1.9bn. Excluding extraordi group, lifted net income to nary items, Monsanto's fourthor 70 cents, from \$65m, or 55 cents, in the 1993 period.

Sales and operating income from Monsanto's NutraSweet subsidiary declined in 1994, reflecting lower prices and slightly lower volumes, the

company said.

However, the Searle division reversed a \$13m loss in 1993 to turn in a \$72m profit. Agricul-



Board of Directors Meeting January 18,1995

Board Hears of Strong Business Performance, Approves Cable Acquisition, Executive Appointments and Codes of Conduct

aris, January 18, 1995 - Chaired by Mr. Jérôme Monod, Chairman and Chief Executive Officer, the Board of Directors of Lyonnaise des Eaux, met today to hear of strong busines: performance, it also approved an important cable acquisition, key executive appointments. as well as a program involving professional codes of conduct.

· Confirming past forecasts, the group's results for 1994 should show an increase of 25 to 30 per cent in group net results.

 The water management and distribution business continues its strong development overseas. The Lyonnaise's position in this sector is being reinforced through projects coming on line today, resulting from past contracts, as well as through promising new projects being prepared, particularly in Latin America and in Asia.

• In the real estate sector, losses are continuing to decrease at at least the same pace as in 1993, despite a difficult market.

 In the communications sector, the Board approved the acquisition of the cable network of Com Dev (Caisse des Dépôts group). The acquisition will have no significant impact at this time on the results of this business. The acquisition will provide growth by one third of the installed base of subscribers and offer important development opportunities, given the potential for new cable services on the network.

The Board also approved the program under way to provide for codes of conduct and of ethics to guide employee professional behavior toward third parties.

In order to broaden and enhance this program, the Board approved the special mission given by the Chairman to Mr. René Coulomb, Administrateur-Directeur Général. The corporate-wide mission is to develop management initiatives to provide the Group with appropriate responses to a changing regulatory and competitive environment. This includes actions to assure the highest standards of corporate governance and ethics, both in France and overseas. Mr. Coulomb will report regularly to the Board on the progress of

Mr. Monod also informed the Board of Executive appointments in the water management and distribution business. As of March I, Mr. Gérard Payen will become Directeur Général of this business. replacing Mr. Coulomb. Mr. Payen, currently Directeur Général of Degremont, will be responsible for all water management and distribution business activities, both in France and overseas.

In addition, Mr. Martin Negre, currently Director in the Group's Direction Generale, has been named Directeur International. He will be responsible for coordinating the Group's international development across the business units.



Zambia Consolidated Copper Mines Limited (Incorporated in the Republic of Zambia)

SALE OF MINING PROPERTY IN ZAMBIA

Zambia Consolidated Copper Mines Limited (ZCCM) intends to offer for sale a mining property in Zambia as

The Chambishi Underground Mine on the Copperbelt

The Chambishi mine, which commenced operations in 1962, was put on care-and-maintenance in 1987 as a result of company restructuring. Remaining drilled one reserves and resources are in excess of 90 million tonnes with an in-sim grade of 2.38% total copper, although the total potential resource could be much larger at depth. A shaft and most associated mining infrastructure is already in place for the extraction of 33 million tonnes of this ore grading 2.55% total copper. Feasibility studies show that re-opening of the mine is viable using modern mining

ZCCM has prepared two documents, an Information Memorandum and the Bid Terms of Reference. These are available at a cost of US\$500 and US\$5000 (or equivalent), respectively, payable by international money order to Zamhia Consolidated Copper Mines Limited.

Purchasers of the Bid Terms of Reference will be required to sign a Confidentiality Undertaking, a copy of which is contained in the Information Memorandum, before the Bid Terms of Reference are despatched. Copies of the Confidentiality Undertaking can also be obtained from the address below:

> The Company Secretary (Chambishi office) Zambia Consolidated Copper Mines Limited PO Box 30048 LUSAKA Zambia Fax 260-1-220727

The documents are available immediately and will remain on sale until June 21, 1995.

COMPANY NOTICES

REPAP ENTERPRISES INC. US \$200,000,000 FLOATING RATE NOTES DUE 1997

For the period 19th January 1995 to 19th April 1995 the Notes will carry an interest rate of 9.0625%

(USD 4136.46 per USD 250,000).

Bardays Bank PLC **BGSS Depository Services** 8 Angel Court London EC2R 7HT

GENERAL MOTORS CORPORATION

er to the DIVIDEND DECLARATION of 16 Dec 1994 NOTICE is now given that payable on or after 15 Do; 1994 against pr entution to the Depositary (as below) of Claim Forms listing Bearer Depositar

Gross Dist Per Unit Less 15% US Whitel 0.1500 Cent 0.8500 Cents Per Uni

1.5700 Barches Bank PLC, BGSS Dep

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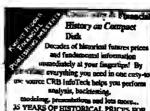
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ADELAIDE BANK LIMITED ENST) 250,000,000 MULTIPLE OPTION FACILITY DATED MARCH 25, 1994 In accordance with the provisions of the Transferable Loss Certificate based on April 21, 1994, exister it benefy given that for the three months interest period from Lannary 22, 1995 to April 24, 1993, the Certificate will carry as Interest Rate of 6.925% per annum.

Bendays Beak FLC, Hong Kom
As Facility Agent



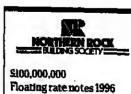
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Similar to the information found to the CRB Commodity Year Book, the bible of the functs industry, in addition to noticed that, CRB info Tech also provides duly price updates via ER. Queue, Kinghi Raider's software specified by insignal to download and support cad-of-day price disordy into your detables. directly into your detabase.

BNFORMATION: Bizalia: Vaidi KR House, 78 Pices Street, London BC4Y 1HY Tcl: +44 (0) 7(842 4083



Notice is hereby given that for the interest period from 20 January 1995 to 20 April 1995 the notes will carry an interest rate of 6.8125% per annum. Interest payable on 20 April 1995 will amount to 5167.98 per \$10,000 note and \$1,679.79 per \$100,000 note.

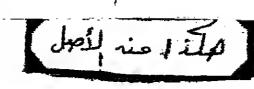
Agent: Morgan Guaranty

Trust Company **JPMorgan**



The notes will bear interest at 6.7675% per annum for the interest period 20 January 1995 Payable on 20 April 1995 will amount to \$166.87 per \$10,600 note and \$1,668.70 per

Agent: Morgan Guaranty Trust Company



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Birmingham

\$200,000,000

Floating Rate Notes 1998 to 20 April 1995, Interest

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Loss on financial operations hits profits at BBV

By Tom Burns in Madrid

Pre-tax profits at Banco Bilbao Vizcaya, the Spanish retail banking group, fell by 5.7 per cent to Ptal14.8bn (\$875m) last year. The bank was hit by heavy trading losses incurred by its treasury department which dragged down improved core banking earnings. In 1993 BBV posted pre-tax

profits of Ptal21.7bn. After minorities, the bank reported a 1994 net group profit of Pta72.3bn, 1.8 per cent up on the previous year.

Mr Emilio Ybarra, chairman said Pta40.1bn of the net income would be distributed to shareholders, against Pta39hn in 1993, and that the dividend would be lifted by Pta5 to

Mr Ybarra said net losses from financial operations, mainly linked to last year's volatile bond market, totalled Pta32bn, against the Pta50bn earned from trading in 1993. The losses were partly offset by a 13.5 per cent rise in operating profit to Pta180.4hn, by recoveries from bad loans and

lower provisions. Mr Ybarra said that last year had seen the consolidation of a recovery in BBV's core banking business that had set in

during 1993. He added that if there were no further trading losses this year, the banking group's profits could strongly improve in 1995.

Net interest revenue improved by 2.1 per cent last year to Pta338.3bn, income from fees was up by 11.2 per cent to Ptallibu and operating costs fell by 1.3 per cent to

Total assets increased last year hy 12.3 per cent to Pta13,065bn to make BBV the largest retail bank in Spain in terms of assets.

The buoyant core banking results form the basis for what Mr Ybarra called a 1,000 day strategy to lift BBV's pre-tax profits to Pta175bn by 1997. Over the next three years Mr Ybarra wants to increase the banking group's dividend per share to Pta250 and its share

value to Pta4,500, up from the current Pta3,250. The strategy involves a rationalisation of the group's banking divisions as well as the opening of 250 new branches. This will compensate for the upsets sustained by BBV last year, when it failed to acquire the Banesto banking group and was outbid in the battle to obtain a licence to

operate a second mobile tele-

phony network.

Siemens issues gas turbine challenge

By Andrew Baxter

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Siemens, the German industrial group, has thrown down a challenge to its rivals in the world power station market by unveiling what it claims is the world's most efficient gas

The announcement is likely to intensify the already fierce competition in the market for combined cycle (gas and steam) power stations, which have taken 37 per cent of all fossil-fired power station orders this decade.

Siemens and its competitors in the industry - the market General Electric of the US, ABB, Westinghouse and GEC Alsthom - are all spending heavily to raise the ther-mal efficiency of their gas turbines.

Very small increases in efficiency can save operators millions of dollars in fuel costs over the lifetime of a power station.

Launching its new 3A series of turbines in Berlin, where the machines are built, Siemens said that during trials its V843A machine had achieved an electrical output of 170MW and efficiency in simple-cycle of 38 per cent.

This indicated a "world record of 58 per cent efficiency in combined cycle which uses the waste beat from the gas turbine to power

a steam turbine. Stemens said the latest turbines were 1.5-2 percentage points more efficient than its existing range.

Developed at a cost of DM100m-DM200m (\$65.3m-\$130.7m) they mark an important development for Siemens. Although the basic design derives from previous models. the German company has been able for the first time to use sero-engine technology in its gas turbines, as bas long been the case at GE.

This is the result of an important technology exchange agreement signed in 1990 between Siemens and Pratt & Whitney, the US aero-engine producer. As a result, the German company was able to introduce improved cooling techniques into the turbine section of the machine, and a new compressor design derived from P&W's PW4000 aircraft engine.

The new turbines range from 70MW to 240MW, giving a maximum possible 359MW in combined cycle.

Siemens said this was the largest any company could offer in a single combined-cy-

It has already booked orders for the new gas turbines, to equip power stations in Portugal and Germany, and said it had received letters of intent from two US customers.

Nomura plans Czech, Slovak investment fund

By Vincent Boland in Prague

Nomura International, the Japanese securities house, plans to set up an investment fund of Czech and Slovak shares by transferring assets from VUB Kupon, Slovakia's biggest privatisation fund in which it holds a 31.4 per cent stake, to a new vehicle aimed at foreign investors.

Under the proposal, approved at an extraordinary general meeting of VUB Kupon's shareholders in Bratislava yesterday, Nomura will redeem its stake in the fund and acquire the same percentage of its assets.

VUB Kupon's portfolio of shares in leading Czech and Slovak companies is worth about \$400m.

The assets will be placed in an international Slovak and Czech investment fund which will be jointly managed by Nomura and VUB Invest, the investment management arm of Vseobecna Uverova Banka, the leading commercial

Nomura paid \$68m for its stake in VUB Kupon in September last year in one of the biggest foreign investments yet in Slovakia.

It has since been looking for ways to reduce the gap between the net asset value of the portfolio and the market value of VUB Kupon's shares. which are listed on the Bratislava stock exchange and trade at a discount of up to 40 per

The proposed changes end weeks of speculation about Nomura's plans for VUB Kupon, and follow beavy trading in the fund's shares in recent weeks.

An over-the-counter trade late last week saw VUB Kupon sharea worth about Sk90m (\$2.94m) change hands at a level substantially above the official closing price of Sk505 a

share. Nomura will acquire either 31.4 per cent of each of VUB Kupon's shareholdings, or 31.4 per cent of the value of the

Swissair seeks shareholding in Belgian carrier

Swissair wants to buy a stake of 49 to 49.9 per cent in Sabena, Belgium's state-run national carrier, Mr Elio di Rupo, the Belgian transport secretary, confirmed yesterday, writes Emma Tucker in Brussels.

However, his suggestion that the Swiss air-line was interested in becoming a majority shareholder in Sabena was denied by Swissair which pointed out that such a move would strip the Belgian airline of its status as a European Union carrier. At a lunch yesterday Mr di Rupo said that to

ecure its future, Sabena would need between BFr5bn (\$160m) and BFr6bn of new capital over the next few months, adding that so far the only serious proposition had come from The minister said the Belgian government was not allowed to inject any more aid into the

ailing airline, because this would contravene EU competition rules. Swissair has been eager to secure a foothold in the EU's deregulated single aviation mar-ket. It is also worried that its non-EU status is resulting in unfavourable treatment at impor-

tant European hubs. "It would not make sense to buy a majority stake in an EU carrier because then it would cease to be just that," said a spokesman for

Swissair yesterday. The Belgian government cannot go ahead with the sale until Air France has relinquished its interest in Sabena. Air France owns twothirds of Finacta, which in turn holds 37.5 per cent in Sabena. However, the two airlines are understood to be nearing a divorce agreement. The French carrier, undergoing a far-reaching restructuring, initially resisted the sale of its stake but shifted its position after it came under strong pressure from the Belgian air-

Randgold mines make steady progress

Randgold, the troubled South African gold prodncer, has reported generally satisfactory results for its mines during the quarter ending in December, but pressure on margins across all operations remains tight, writes Mark Suzman in Johannesburg.

East Rand Proprietary Mines reported a rise in after-tax profits to R11.3m (\$3.2m), up from R8.5m previously as production remained almost unchanged at 1,687kg. But the figures continue to fall short of estimates made at the time of the company's 1993 rights issue.

Durban Roodepoort Deep, the mine threatened with closure by previous management, cut its net loss to R4.1m from R20.9m as the planned downsizing continued and production dropped to 293kg from 315kg in the September quarter. The company also confirmed that an agreement had been reached on a proposed merger with the neighbouring Rand Leases mine. Details will be announced next month.

In spite of lower production resulting from a cage accident in its Merriespruit shaft, Harmony saw after tax profit rebound to R22.8m. from R11.8m as the effects of last quarter's hedging cancellation costs disappeared from the bottom line.

However, continued low yield at Blyvoo ruitzicht, which slipped to 5.3 grammes/tonne from 5.64 grammes/tonne, caused a drop in production, leading to a sharp rise in the mine's working loss to R8.6m, up from R1.6m. As a result, the mine has been forced to retrench 3,000 workers and management said it is considering merging, selling or downsizing the mine's underground operations.

Dolphin buys stake in Greek cruise operator

Dolphin Cruise Line, a Greek-owned company based in Miami, is to acquire a 33 per cent stake in Epirotiki Cruise Lines, Greece's biggest cruise ship operator, which is restructuring to meet sharpening competition in the Mediterranean and Caribbean markets, writes Kerin Hone in Athens.

Under the restructuring plan, Epirotiki's existing US partner, Carnival Corporation, is to raise its stake in Epirotiki from 43 to 49 per cent. Epir Holdings, controlled by the Potamianos family which founded Epirotiki, will retain the rest of the company's shares.

Epirotiki, which operates nine Greek-regis-tered ships, is the leading cruise operator in the eastern Mediterranean. It carries more than 300,000 passengers a year, mainly on Aegean island cruises, but also operates winter cruises in the Caribbean.

A company official said the price of Dol-phin's stake in Epirotiki was still being negotiated but would be covered through the transfer to Epirotiki of cruise vessels belonging to Dolphin and its sister company, Majesty Cruise Line.

The two companies, owned by Mr Paris Katsoufis, a former cruise ship captain, operate four vessels, mainly in the Caribbean. Carnival Corporation, listed on the New York Stock Exchange, operates 21 ships and claims to be the world's largest cruise operator in terms of passengers carried. It focuses on the Caribbean, where it operates four "mega-ships" capable of carrying 2,000 passengers each.

Property warning hits Suez shares

Shares in Suez, the French financial services and investment group, dropped more than 5 per cent yesterday following a warning over the weekend about heavy additional property losses in its 1994 results, writes Andrew Jack

Mr Gérard Worms, chairman, said in a

French radio station interview at the weekend that the group results would be "very modest"

and that there would be an impact on the full year accounts due to property losses of FFr2.5bn to FFr3bn. He said total losses from property in the group would reach FFr15bn (\$2,87hm) from its portfolio of FFr30hm

"The [property] market, alas, has not recovered," he told Radio Classique. He added that the group was having to pay back FFr500m following adjustments in the acquisition of its controlling stake in Victoire by Commercial Union, the UK's largest insurance group, last

He said that the results excluding property and the Victoire sale would be about FFr3bn.

Stanbic buys Barclays' Lesotho interests

Stanble, the South African banking group, has announced that it has acquired Barclays Bank's interests in Lesotho, writes Mark Suzman. The takeover, which has been approved by both South African and Lesothan authori-ties, will take effect on February 1 and the

bank will be renamed Stanbic Lesotho. The acquisition marks a continuation of Stanbie's expansion in Africa and the group, South Africa's second largest, now has representation in 13 African countries. Lesotho was previously the only southern African country

in which Stanbic was not represented.

Mr Eddie Theron, group managing director, said the move would belp raise Stanbic's profile on the continent. "We believe this acquisition will further strengthen the group's capacity for facilitating trade flows in Africa:" he

Australian Woolworths rings up record sales

Woolworths, Australia's largest food retailer, yesterday said it achieved a record sales of A\$6.9bn (US\$5.3bn) in the half-year to January

S, write Emilia Tagaza in Melbourne.

The figure is 11.8 per cent up on sales of A\$6.1bn achieved in the corresponding period of the previous year. The company said comparable stores posted an average sales increase of 8.5 per cent for the period, "a good

market." The company forecast that profits for the period would be "ahead of the rate of increase

performance in an extremely competitive

Woolworths' food group recorded total sales of ASS.8bn during the period while the general merchandise group recorded a 12.3 per cent rise in sales to A\$965.5m.

CBOE gears up for warrant offerings

The Chicago Board Options Exchange has formed a new Capital Markets Division and is gearing up for its first-ever warrant offerings. writes Laurie Morse in Chicago.

The move, which is an attempt to win a larger share of the market for structured financial instruments, puts it in direct competition with the American Stock Exchange, which pioneered listed trading of privately is sped warrants.

The CBOE is the world's largest marketplace for standard options on shares of individual such as the Standard and Poor's 100 and the FT-SE 100. These options - which give its owner the right, but not the obligation to buy or sell a particular security at a specific price - typically have expiration periods of two years or less and are issued by the exchange. Warrants resemble options, but are issued by dealers, generally have expirations of three years or more, and can be highly structured.

The CBOE, meanwhile, has hired Mr Ben Krause, formerly the head of the American Stock Exchange's Capital Markets Group, to be senior managing director of its new division.

Australis Media in pay-TV launch

Australis Media said it planned to launch its pay-television service. Galaxy TV, on Thursday, to become the first pay-TV broadcaster in Australia, Reuter reports from Sydney. It said Galaxy's first channel to go on air would be the Premier Sports Network, which will feature international and local sports.

The company said it has also contracted with NBC, the US broadcaster, to supply news for its news channel. This channel, ANBC, which also starts on Thursday, will use NBC's business news service and offer news, features and market reports from CNBC in the US, Europe and Asia.

Australis said ANBC would be the first international business and financial news channel available to Australia. It said the service would be live for 10 bours each weekday from Hong Kong and other important financial centres throughout Asia.

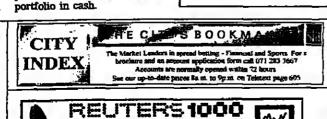
Yong resigns from Berjaya Group

Berjaya Group and Berjaya Industrial said Mr Yong Teck Meng had resigned as group execu-tive director with effect from January 20. AP-DJ reports from Knala Lumpur.

In a statement, the Malaysian conglomerate controlled by Mr Vincent Tan, said Mr Yong has also resigned as director of Berjaya Leisure. Berjaya Singer, Unza Holdings and Top-Group Holdings In a separate statement, Berjaya Textiles also announced Mr Yong's resignation as director of the company.

Mr Yong, together with another executive of

the Berjaya Group, was suspended last December for involvement in an unauthorised interest-rate swap transaction which is said to have incurred a loss of US\$14m.



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Company Limited Reg. No. 05/08748/08

Harmony Gold Mining Limited

Reg. No. 05/38232/05

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NOTICE OF ADJOURNED EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an adjourned Extraordinary General Meeting of Shareholders of Fidelity Fuods ("the Corporation") will be held at the registered office of the Fund in Luxembourg on Wednesday February 8, 1995 at noon to consider the following proposed mendments to the Articles of Incorporation.

AGENDA

1. Deletion in paragraph 2 of article 22 of the Articles of Incorporation of the terms "in Luxembourg" in the two places where they appear.

2. Amendment of paragraph 9 "Valuation Regulations", sub-paragraph B(ii) of article 22 of

the Articles of Incorporation so that it reads as follows: "(ii) securities which are traded on stock exchanges are to be valued at the last available closing price on the Valuation Date for if there has been no sale, at the closing bid price t quoted on the stock exchange which is normally the principal market for such security, or, if the Board so decides, at the last available price at the time when the valuation is carried out. or, io unusual circumstances of trading activity such that the Corporation considers that such price does not reflect fair market value, at fair market value in the opinion of the Corporation. Deletion to article 22 of the Articles of Incorporation, paragraph 9, subparagraph B(v) of

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares by US persons or of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may attend and vote at the meeting or may appoint a proxy to attend and vote. Such proxy need not be a shareholder of the Fund.

Resolutions on the agenda of the Adjourned General Meeting will be adopted if voted by two thirds (2/3) of the shares present or represented.

This meeting is an adjournment of the Extraordinary General Meeting held at the registered office of the Corporation on January 6, 1995 due to a tack of quorum as only 42,473,387,16 shares were present or represented out of 857,150,758,12 outstanding shares as at the close of

Holders of Registered Shares may vote by proxy by returning to the registered office of the Fund the form of registered shareholder proxy sent to them.

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41-45 St. Sephen's Green

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in Ircland

DUBLIN 2

IRELAND

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in The Netherlands

Alexander Boerstraat 10

NL-1071 KX Amsterdam

Creditanstalt-Bankverein

Bradwell Limited

Holders of Bearer Shares who wish to attend the Extraordinary General Meeting or vote at the Meeting by proxy should contact the Fund, or one of the following institutions: in Luxembourg Bankers Trust Luxembourg S.A. 14, Bd F. Roosevelt Fidelity Investments Luxembourg S.A.

Kansallis House Place de l'Étoile, B.P. 2174 L-1021 LUXEMBOURG in the United Kingdom Fidelity Investments loternationa Oakhill House 130 Tonbridge Road

Hildcoborough KENT TN 119DZ **Uoited Kingdom** in Germany Bankhaus B. Metzler seel. Sohn & Co. KGaA Große Gallusstraße 12

D-60311 Frankfurt am Main in France Banque Indosuez 96, Boulevard Houssmann F-75371 PARIS Cedex 08

in Hone Kone Fidelity Investments Management [Hong Kong) Limited

16th Floor, Citibank Tower A-1010 Wien 3 Garden Road, central Hong Kong

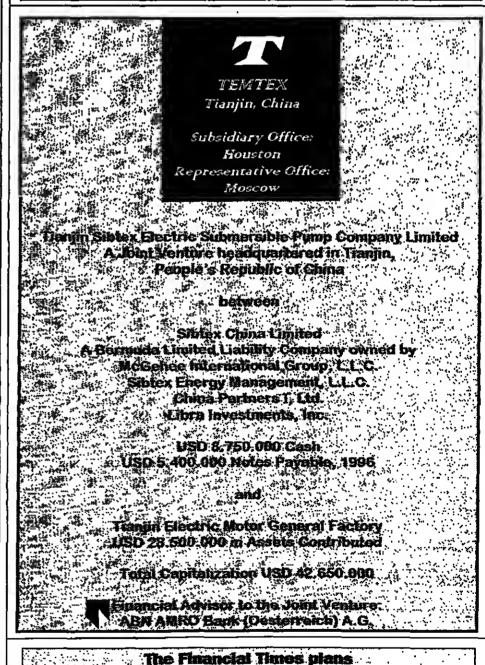
To be valid, proxies must reach the registered office of the Fund on the 3rd February 1995 at 17.00 pm (Luxembourg time) at the latest.

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in Austria

On behalf of the Board of Directors





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FT Surveys

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Options windfall from merger may average nearly £10,000 a head

Wellcome staff could net £170m

By David Wighton and William Lewis

Wellcome directors and staff will make a record profit of more than £170m (\$265m) on share options if the £9.4bn bid from Glazo is successful.

The windfall is equivalent to almost £10,000 a head across Wellcome's 17,500-strong workforce. However, the gains will

tors and senior executives.

One of the biggest beneficia-ries is likely to be Mr John Robb, who was appointed chairman and chief executive in 1993. According to Wellcome's last annual report, Mr Rohb had 250,756 share options. Mr Philip Tracy, another Wellcome director,

held 172,670. Wellcome bed 45m share options outstanding at the end

of August 1993, more than 5 per cent of the issued equity. Although many are not exercisable for some years, it is thought all will be triggered by a change of control, at the bid price, costing Glaxo more than £450m gross. The total exercise cost at the last balance sheet date was £278m, which will flow back into Wellcome's balance abeet. This will leava Glaxo with a net cost of £172m.

standing at August 31 1993, more than 12m were in the executive share option scheme. The prices ranged from £1.20 to £10.58. The US management stock option plan covered 9m and the US employee stock purchase rights plan a further 13m. There were 2.6m shares under the UK sharesave scheme at prices ranging from

Record corporate loan raised for bid

By David Wighton and Martin Brice

Glaxo last week raised the biggest corporate loan ever seen in the UK, signing more than £6.5bn in new bank facilities to fund the £9.4bn offer for

No details of the arrangements were disclosed, hut it is thought that they consist of bilateral agreements with fewer than 10 banks, each of which has committed an average of more than £700m. They are thought to include NatWest, Glaro's lead banker, and Union Bank of Switzerland. Other likely participants are Deutsche, HSBC, Barclays and Swiss Bank Corporation.

Glaxo's advisers say the errangements are not short-term which suggest that the banks will sell down some of their exposure to other banks. One banker said: "This is a short-term bridging, to get the thing done, by a few banks. Beyond that there is a commitment for a longer period. It will be going into syndication." Glaxo would not comment

on tha terms of the loans but bankers believe it will have got good prices, given the healthy state of the market and its strong credit rating. However, the speed of the negotiations and size of the commitments may have enabled the banks to

push up their rates. Analysts estimate that the new debt will take Glaxo's gearing to over 300 per cent. However, even if it pays 8 per cent for the new facilities covered eight to 10 times by operating profits.

amount of debt involved in the funding of the bid, which is cheaper than equity, was the highest that was "reasonable, without generating risk".

Glaxo is being advised by Lazard Brothers with stockbroker Hoare Govett. Wellcome's joint financial advisers are Baring Brothers and Morgan Stanley with Cazenove acting as brokers. SG Warburg, which was broker to Glaxo and joint adviser and broker to Wellcome, has stepped down from both sides.

Menzies advances by 16% to £7.3m

By Peter Pearse

John Menzies, the wholesale and retail chain, lifted pre-tax profits 16 per cent from £6.3m to £7.3m (\$11.4m) in tha six months to October 29, time," said Mr Ranald Noel-Paton, managing director, "wben trading continued to be very difficult". Lower interest charges of £500,000 (£800,000) belped the pre-tax rise and Mr Noel-Paton was pleased with the group's emphasis on pro-ductivity and the management of working capital and cash, which led to the husinesses' strong cash flows.

The group said that, after a poor lead-up to Christmas, likefor-like sales over the holiday rose by 5 per cent. Within this, Early Learning Centre (excluding its new superstores) saw an 11 per cent advance, while JM Retail's sales grew only 2-3

Sales over the six months were "very flat", said Mr Noel-Peton, rising only £2.3m to £575.4m. He said this reflected the impact of the newspaper price wars, the rail strikes, and the lack of a "feelgood factor". News International's new

contracts with WH Smith and independent distributors would reduce Menzies' share of NI distribution from 23 to 19 per



cent, and he was "disap-pointed" to lose the contract for Glasgow to an independent. However, be said the group had recently gained from a new deal with IPC's Marketforce and he hoped the same would happen with Emap's Frontline. He maintained that Menzies

continued to have "muscular national coverage". There was always going to be downward pressure on margins which only the multiples could withstand.

Maintaining volumes at good productivity levels was the key, be said. Currently Menzies has 62 distribution centres. In two years this would reduce

ohn Menzies

Ranald Noel-Paton (left) and John Menzies, the chairman

ELC now has 11 superstores out of a total 186 stores. While sales have grown, Mr Noel-Paton said start-up costs had knocked about £500,000 off last year's level, but that profits would jump in year two.

• COMMENT

Mr Rupert Murdoch's shake-up of newspaper distribution could have an imside as well as a downside. Menzies' loss of share could knock £1m of this year's profits, but if smaller independents go to the wall,

pick up. Slowly the distribu-tion operation is getting more efficient, but "slowly" seems a defining word for the group. The updating of JM Retail should be bastened, though there have been problems getting the right format. Given a choice of banana skins or caution, bowever, investors may prefer the latter, though with forecast pre-tax profits for the year at about £36m-£57m an earnings of 42p, the shares on a multiple of 12.2 - look a little under value, bowever the prospects are far from exciting.

there will be other share to

its were £72,000. The company had concluded

further group streamlining.

two contracts for the broad-casting of "The Womhles" and of "Huxley Pig" in Japan in the spring. Associated licensing programmes for these contracts had been launched. with e number of parties

Christies reorganises Asian interests

Christies International, the fine art auction bouse, is to restructure its operations in Asia, one of its most rapidly growing areas of activity.

It bas agreed with John Swire, owner of Cathay Pacific, the Hong Kong-based airline, that it will acquire Swire's 40 per cent holding in Christie's Swire, giving it 100 per cent ownership.

The initial consideration is

The initial consideration is £1.2m (\$1.9m) cash, including repayment of loans. A further cash consideration of np to £4m may be payable if Christies sells shares in the husiness in the next four years.

The anction businesses in Heng Fong and Taiwan cur-Hong Kong and Taiwan currently trading under the name of Christie's Swire will now

operate under the name of Christie's. Christies bas been concentrating on developing its presence in east Asia, one of the fastest-growing art markets. Spring sales in Hong Kong grew by 50 per cent last year against a 19 per cent growth in anction sales overall for the six months to June 30.

It became the first western anction bouse with e presence in China with the opening of its Shanghai office last year, and is considering further

Warning hits shares in Storm

By Gary Evans

Storm Group, which is involved with intellectual property rights relating to toys and cartoon characters, yesterday warned that firstbalf progress had not been maintained and 1994 would show an overall loss.

Mr James Driscoll, chairman, said: "The number of licensing deals and television sales that are either being fin-alised or are in negotiation in the UK, the US and Japan leeds the board to conclude that these prospective revenues have not been lost, but have been deferred into 1995." In addition, there were one off expenses associated with discontinued activities and

The shares fell 11/2p to 11p. In 1993, USM-quoted Storm mede pre-tax profits of £122,000, compared with previous losses of £2.1m restated for FRS 3. First-half 1994 prof-



Northern Electric makes special dividend promise

By Peggy Hollinger

Northern Electric, the utility which is defending a hostile £1,2hn (\$1.87bn) bid from Trafalgar House, yesterday promised to pass to its sharebolders any special dividends agreed as part of the proposed demerger of the National Grid later this year.

The promise came as the company launched its formal defence in response to Trafalgar's cash offer of £10.48p a share. Last night the shares

closed unchanged at 980p.

Most of the other 12 regional electricity companies are expected to use a special dividend to offset estimated tax liabilities of about £1hn to be inc urred on demerger of the Grid. It has been estimated that the Recs could take about £750m out of the Grid before demerger. This could leave Northern's shareholders with a special payment of a share, as well as Grid shares if

they reject Trafalgar's bid. Northern also eccused Trafalgar of witholding the true value of the National Grid from shareholders. It said Trafalgar would only give shareholders the value of the Grid after it had deducted the cost of tax liabilities and any customer rebate agreed with

Share price (pence) : 1,050 1,000 -

the government. Mr David Morris, Northern's chairman, also called for the bid to be referred to the Monopolies and Mergers Commission on the grounds of pubhe interest. Politicians would have to be "satisfied that the customer interest is properly bid for a utility, he said. There was no reason why Trafalgar

said. "We are not seeking to make ourselves immune from a takeover." Trafalgar House meanwhile accused Northern of trying to distract shareholders from the

central issues. "If you do not

House should not come back to

bid after an MMC inquiry, he

want our convertible paper, take cash," said Mr Nigel Rich, chief executive. "If you want to continue to own rec shares. take the cash and buy others. They are all trading at signifi-

cantly lower prices."
Northern investors welcomed its promises to return value to shareholders, which was interpreted by some to mean further share buy-backs and possibly other special dividends. "Some of the initial skirmishing seemed to have more to do with blocking the bid, instead of establishing shareholder value," one insti-tution said.

Northern also revealed in its defence document that the board agreed a £20,000 pay rise to £180,000 for Mr Tony Had-field, the chief executive, the day after Trafalgar launched its bid. The company said this reflected increased responsibilities assumed from Mr Morris,

MER ME AC

from £187,000 to £129,500. The defence document also showed that the five Northern executive directors received 266,086 share options last year at prices of between 656p and

Meanwhile, Swiss Bank Corporation, Trafalgar's edviser, has increased its stake in Northern to 4.87 per cent.

Charter sells US coal assets

Charter Group subsidiary Shand Mining, which operates five opencast coal mines in Indiana, US, is selling all its operating assets to Black Beauty Coal Company for an initial \$5.5m.

There will also be a royalty payment of 44 cents per ton of coal produced from the reserves. Total royalty payments under the agreement are expected to be ebout \$15m over 10 years, while the maximum royalty payable is \$26m. Net book value at March 31

1994 of assets and liabilitles heing sold was £15.2m (\$23.7m), equal to 4.1 per cent of Charter's shareholders' funds at that date.

Howden buy

Howden Group, the engineer ing equipment company, has acquired Burton Corhlin, based in Nogent-sur-Oise. France, and its US associate for FFr48m (\$9.04m) cash.

The company makes equipment for the petrochemical and oil and gas industries. In the year to March 31 it made operating profits of £900,000 (\$1.4m) and had operating net assets at the period end of

AH Ball in the red

The costs of completing loss-making contracts and difficulties at its KD Process International subsidiary left AH Ball, the civil engineer, with a pretax loss of £3.71m (\$5.78m) for the six months to September

The outcome compared with

a deficit of £40,000 last time and with a loss of £405,000 et the March 31 year-end. Turnover for the period, however, grew from £4.15m to £4.46m.

Mr Tom Austin, chairman, said that the results included a £223,000 provision for costs associated with completion of existing contracts and reorganisation of the group.

In addition, in view of the fundamental reorganisation of KD's activities, there was a full write-off of goodwill amounting to £3.35m. During the reorganisation KD will not pursue further orders. The group's use of overdraft

facilities rose from £258,000 to £554,000 over the period, resulting in an increased interest charge of £44,000 (£35,000). Losses per share came out at 40.87p (0.2p) and the interim

dividend is passed (1p). The company's shares fell 2p to 21p.

Chemex listing

Chemex Intarnational, tha chemical analysis company, is moving up from the Unlisted Securities Market to a full Stock Exchange listing. It is expected that dealings will begin on Thursday.

The company, the ultimate owner of which is Deangate Investments, also announced a joint venture with The Envi-ronmental Measurement Company to provide an air pollution measuring service within

Hunterprint chief

Mr Pierre-Karl Peladeau, European president of Quebecor. North America's second largest printing company, has been appointed chairman of Hunterprint, the UK printer it acquired last week.

He will he joined on tha board by Mr Robert Clark, who

becomes chief executive.

NATIONAL WESTMINSTER BANK PLC

US\$500,000,000 Undated Variable Rate Notes (Issued on 21 November 1988 as to US\$350,000,000 and on 21 February 1989 as to US\$150,000,000)

National Westminster Benk Pic will redeem the Notes at their principal amount

NEWS DIGEST

Mr Anthony Caplin, chief executive and Mr Geoffrey Eades, finance director, will leave at the end of February.

> Seacon lifts pay-out Despite e 45 per cent fall in pre-tax profits at Seacon Hold-ings, the USM-traded shipping group's directors have recommended an increased final dividend of 1.43p, to give a total for the year of 2.4p. This compares with last year's final of 1.36p. giving a total of 2.28p, allowing for a share split last March.

The pre-tax figure for the year to September 30 was £938,000, (\$1.46m) compared with £1.72m, on turnover unchanged at £19.3m.

Mr Chris Roth, chairman said the result was in line with the group's own projections and tha fall related almost entirely to development of its new terminal et Tower Wharf in Northfleet, Kent.

Earnings per share emerged at 2.5p (4.61p). Subject to share holder approval, the group will make a 1-for-10 scrip issue to mark its 40th anniversary.

Mr Driscoll revealed that the company bad been in talks about a possible acquisition which would create a more broadly based group with both a more substantial product base and a more stable income

ICI sells 60% stake in Flex Products

By James Whittington

Imperial Chemical Industries is selling its 60 per cent stake in California-based Flex Products to its joint venture partner Optical Coatings Laboratory, also in California, and Sicpa

Holdings, a privately held Swiss company. ICI said the value of the

transaction was "substantially less than one per cent of the group's net assets", £6.8bn (\$10.6bn) at the end of 1993, and was part of an overall strategy of disposing of non-

core busin Flex. which manufactures optical coatings products such as those used in anti-counterfeiting ink, was founded in the early eighties and had sales of about \$24m in 1994.

Computer services floats fail to meet expectations

Former McDonnell Douglas offshoot warnings create concern about sector. Paul Taylor reports results well below market Unipalm's shares were trading he UK computer soft-

ware and services industry has been shaken by diseppointing announcements from two recently floated com-

Ten days ago, McDonnell Information Systems - a former subsidiary of McDonnell Douglas, the US aerospace group - issued its second profits warning in four months. Two days later, Coda, the Harrogate-based accountancy software company, announced a £7.99m (\$12.5m) full-year pre-tax loss, its first deficit for 15 years.

Shares in both companies were marked sharply lower as analysts downgraded thair profit forecasts in the wake of the announcements.

MDIS shares, floated by Barings at 260p in March last year, closed yesterday at 72p; shares in Coda, which came to market through a placing by SG Warburg in February et 235p. closed at 102p. The reversal at MDIS is par-

ticularly startling. The 25-year-old company has long been considered a solid performer, with strong posi-tions in local government, the health service, police authorities and the banking sector. Its flotation valued the group et £260m, making it the higgest of the 15 UK software and computing services new issues last vear.

Shares in the company first

fell sharply in late September

when it reported interim

expectations. The departure of Mr Ian Knox, finance director, was accompanied by a warning 10 days ago, when MDIS said that trading in the 1994 second half "had not met the board's

The group hlamed its problems on a slippege of orders in the public sector and a lack of orders for its flagship international banking system software. It had also suffered from a £2.5m trading loss in a recently acquired business and higher than expected research and development expenditure.

in the wake of the trading statement, analysts, including County NatWest, the bouse broker, cut their full year profit forecasts from between £13.5m and £17m to around

Coda compounded the crisis of confidence in the sector by passing its final dividend after its unexpected £7.99m full year loss, struck after a £3m contribution to employee share ownership plans and a 67 per cent increase to £5m in research and development spending. Tha company was also hit by an earlier than expected decline in proprietary product revenues, and the poor performance of its US operations.

MDIS and Coda are not the only disappointing performers among new flotations in a trouhled sector.

Among the new issues, only

at any significant premium at the end of December, according to the sector newsletter System House. The average discount by the year end was 23 per

The City does not understand the area particularly well, and the problems experienced by some companies have cast a shadow over the whole sector. Aside from the sometimes arcane technology involved, one of the difficulties in understanding - and forecasting - the performance of individual companies is that they do not form a homoge

neous group.

Thus while MDIS' problems stem in part from its failure to seli more copies of e highly priced banking software, Coda has suffered because of a faster than expected decline in the market for its older software. Mr Richard Holway, publisher of the System House

MDIS and Coda Share prices (pence Feb Source: FT Graphite

newsletter, believes there are nevertheless some general lessons for investors. He argues thet the quality of earnings for some software and services companies is not as sound as they would bave peopla believe; and he suggests that the forecasting skills of some of those involved in recent flo-

tations leaves much to be And, he says, "the software products area is not the growth area it was for the previous two decades.

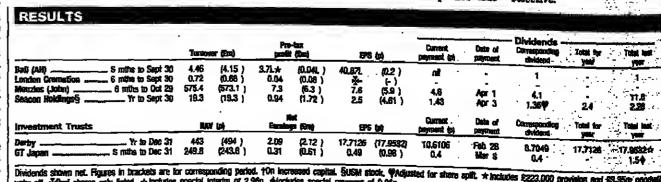
"It is the services area which is growing fastest." This view is supported by results from companies like

Cray Electronics, which show particular growth in the sys-tem integration business. Software product vendors are facing the same problems as those which beset hardware companies five years ago, as their customers move away from proprietary systems and opt instead for 'open' software which can run on a range of

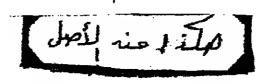
hardware. This move means increased competition and reduced margins for the software vendors, just as they are having to spend more on R&D to meet

customer requirements. Analysts believe these merket conditions will accelerate the process of consolidation already apparent in the software industry, in the UK and

OVerseas In the meantime, Mr Holway's advice to institutional investors and others interested in the sector is to become more selective.



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COMMODITIES AND AGRICULTURE

Gold price rally runs into | Aluminium producers open a can of worms options-related selling

By Kenneth Gooding, Mining Correspondent

Gold bulls suffered a severe disappointment yesterday when the price, which had seemed ready to advance to US\$390 a troy ounce, instead dropped back under the pressure of options related selling. After the price was "fixed" in London at \$385.10, its highest

for nine weeks, the bulls hoped for a continuation of the rally which started late on Friday in New York. Instead selling started and by the close in London yesterday gold was down \$2 an ounce from Friday's close at \$382.10. Gold will have difficulty

breaking decisively above \$395-\$390 in coming weeks," suggested Mr Ted Arnold, analyst at Merrill Lynch in his lat-

est metals report.

Mr Andy Smith, analyst at Union Bank of Switzerland, pointed out that gold rose only \$8 in the past week, one which had seen armed conflict in Chechenya, speculation about the failing health of the Chinese leader, Den Xiaoping, a major earthquake in Japan, and an economic crisis in

Mexico. "That's a hard act to follow for one week." There had been suggestions that investors would turn to gold if tha US dollar weakened further, but "the next dollar crisis would have to be a hig one," Mr Smith insisted. Merrill's Mr Arnold cited three factors that had caused him to lower by \$10 an ounce

the top end of gold's expected

trading range. Probably the

most important was a change

becoming much more bearish and "more amenable to trading gold on the short side". Also more producers were willing to sell forward and they had lowered their target levels from more than \$400 to \$385-\$390. The third change was the emergence of "modest disin-

in sentiment among North

American dealers and fund

vestment selling" from the Middle East, mostly Saudi Arabia. Many Middle East sellers who had been waiting for prices above \$400 would now be happy to disinvest at prices above \$385, said Mr Arnold. As for the bottom end of gold's trading range, some Swiss and UK bullion houses were aiming for between \$370 and \$360 an ounce and some

Minerals enlisted to fight hunger

nd promise

An international research programme is being launched today to develop mineral-enriched varieties of the world's most common food crops in a bid to prevent widespread mal-nutrition and disease while

Crops enriched with essential minerals such as zinc and iron could be ready for commercial use by farmers within six to ten years, according to Mr Howarth Bouis, Washington-hased director of the

"micronutrients" project. Research on wheat varieties in Australia bas shown that plants that take up zinc from the soil are more productive. As they are more vigorous and have stronger root systems, they also need fewer chemical inputs and less irrigation.

This is a low-cost approach to fighting malnutrition that could improve farm productivity and benefit the environment at the same time," said Mr Bouis. "If the crops are drought resistant and highyielding, then they may be grown on a fairly wide basis. That is what's so exciting.' The project is being

launched by the Consultative Group on international Agricultural Research, an informal grouping of countries and organisations linked to the World Bank. It is seeking \$7m-\$8m over five years from private foundations, companies and multilateral agencies to fund research into mineral-enriched corn, rice, wheat, beans and cassava.

Mr Bouis said recearch would focus on developing varieties capable not only of absorbing minerals such as zinc and iron from the soil hut also transferring them into the seed head, which humans eat. The main staple food crops

generally lack enough essential vitamins and minerals to prevent health problems in the developing world such as anaemia, hlindness and retarded growth. But some varieties have roots that emit chemical substances into the soil. These "unbind" minerals such as zinc from other minerals and allow them to be absorbed.

> Precious Metals continued M GOLD COMEX (100 Troy oz.; \$/troy oz.)

> > 388.6 -4.0 393.5 387.3 26.928 392.8 -4.1 396.9 392.0 15,814

159.30 -1.20 181.00 158.50 6,061 189.55 -1.20 182.00 180.55 967 181.55 -1.20 - 275 182.30 -1.20 185.00 182.30 11

M CRUDE Of IPE (\$/barrel)

PLATINUM NYMEX (50 Troy oz.; S/troy oz.)

such characteristics, including transferring large amounts of these minerals to the seeds,

said Mr Bouis. Soil depletion should not be a problem with the new varieties because "there's enough zinc in the soil for thousands of crops.

Mr Bouis began investigating the possibilities 18 months ago and was told by researchers at Cornell University in the US: "It's a win-win situation". The research will be co-ordi-

nated by the International Food Policy Research Institute in Washington and carried out by agricultural centres in Colombia, Mexico, Australia, the Philippines and the US. "We are starting

research on iron and zinc because they provide benefits to buman nutrition and have advantages for farmers," said Mr Bouis. "We would also like to research the viability of breeding for plants with a high vitamin A content, but vitamin A does not aid in plant nutrition and therefore would not provide higher yields."

Kenneth Gooding reports on a furore over a new US pricing formula for can sheet producers could successfully

hig split of opinion has opened up between US and European aluminium groups about the pricing of can sheet, a material used to make drinks cans, which

of total aluminium demand outside the former Soviet

Alcoa, the biggest aluminium group, has this year intro-duced a new pricing formula for can sheet in tha US and other domestic producers quickly followed its lead. The formula has raised can prices by more than 50 per cent from the 1994 level and caused a furore among consumers. The risk associated with the sometimes violent swings in the market price of primary aluminium, the raw material for can sheet, from the producers

to the can makers. US can makers are complaining that they have never ever faced such a big jump in raw material prices. The National Soft Drink Association says the jump is adding 2 cents to the cost of each can and \$1.2bn to total costs.

Meanwhile, soft drinks and beer makers, are threatening to switch away from aluminium cans to other packages to plastic bottles in the US and to glass and plastic bottles and tin-plated steel cans in other parts of the world.

Two consumers have hired a Washington lawyer to investi-gate whether the aluminium

be prosecuted for anti-trust

The US moves have also met with criticism from a more unexpected quarter. Mr Gérard Hauser, chairman and chief executive of Pechiney Rhenalu, the French group that claims accounts for about 14 per cent to be Europe's biggest can sheet maker, suggests the US producars have gona too far and his group is not following the new US pricing formula. He says it is also ill-advised for producers to insist on linking can sheet prices with those for

> LME prices are frequently volatile because of the influence of traders and, more recently, investment funds. that sometimes ignore the fundamentals of supply and demand. Consumers hate vola-tility, Mr Hauser points out. Producers should strive for long-term, stable can sheet prices if the aluminium indus-try is to continue to win business away from other packaging materials.

In an ideal world, he suggests, can sheet producers would offer customers firm prices for three to five years ahead, possibly with minimum and maximum levels within a very small range. However, this pricing system would have to take account of the replacement cost of plant and equipment - replacing Pechiney Rhenalu's plant at Neuf Brisach, on the river Rhine near

the border with Germany, would cost US\$2bn.

Competition between the various types of packaging is particularly intense in Europe and for this reason the North American producers have also shied away from attempting to impose the US formula there. Alcan of Canada, for example, said it was continuing its previous policy of negotiating individual deals with European customers. The US can sheet market is more important to the producers - it accounts for about 10 per cent of total westprimary aluminium on the London Metal Exchange.

Nevertheless, can sheet prices are being pushed up strongly in Europe. Pechiney Rhenalu is taking advantage of present strong demand to lift prices from very depressad 1994 levels by 17 per cent for can body sheet and more than 20 per cent for can end sheet.

demand.

r Hauser says this takes prices
back to nominal 1991 levels. "But I can understand why users are complaining because we are making up for three years of falling prices in Mr Hauser says that in the

US five years ago hody sheet prices were \$1.25 a pound. In 1995 companies are charging about \$1.22. Also, during those five years the amount of aluminium per can has also been reduced by about 8 per cent. So there are more cans per pound

of aluminium.

Buyers of canned soft drinks took all the benefit of falling primary aluminium prices caused by a glut of imports from Russia - because of the so-called "cola wars" in the US. Price cuts were passed on by what Mr Hauser describes as "a chain of blackmail" from can sheet producers, to can makers to can fillers and then to the final drinks consumer. By last year can sheet prices in the US had dropped to an

average of about 78 cents a pound and all the mills were ern world annual aluminium needed to change this situation quickly, but the jump to \$1.22 is of more than 50 per cent, "too big a step up at one time" Mr Hauser insists.

Nevertbeless, the new US pricing formula, helped by

very strong demand and cuts that have removed surplus production capacity, seems to be bolding. Mr Nick Mason, analyst at the CRU International consultancy organisation, says: "It seems as if the mechanism has been widely accepted in the US. Fillers are frightened by the big increase in one jump but the US aluminium industry suffered a prolonged period of low prices and sharebolders expect companies to take advantage of the present

"Something had to be done cause, when prices fall again shareholders would not stand another period with can sheet prices just above the cost of

MARKET REPORT

strong market.

primary metal". He says can makers and fillers were shocked by the speed at which other producers followed Alcoa's lead "but I am sure Alcoa was equally shocked by the way the pri-

mary aluminium price rocketed shortly after the new formula was launched". Mr Mason believes the sltuation offers the plastics and steel industries a competitive opportunity, particularly in Europe. Steel and plastic prices

are rising, but not as strongly as aluminium's price. However Mr Stewart Spec tor author of the Spector Report on the industry, suggests: "The threat of substitution is much ado about nothing. The Ican sheet! mills will find it hard just to keep up with the growth in beverage demand. Besides, it is nearly impossible for end users to convert to other containers without causing capacity constraints and rising prices for plastic and steel containes. That makes it impracticable to

convert on a large scale". Pechiney Rhenalu's Mr Hauser is not complacent, however, and says he is very conscious of competition from steel and plastics. But he is comforted by the fact that last year Neuf-Brisach's output (48 per cent of it of can sheet) jumped by 20 per cent, from 290,000 to 343,000 tonnes, and at present his company's mills are working flat out to meet

Jamaican bauxite strike spreads

capacity. Alumina Partners,

By Canute James in Kingston

A strike in Jamaica's bauxite (aluminium ore) refining industry spread yesterday, closing two more refineries. The plants, owned hy Alcan Jamaica Company, a subsidiary of Alcan of Canada, were shut down after unions ordered workers to stay bome to protest the level of the company's offer of a new wage con-

officials attempted without The refineries have a total alumina (aluminium oxide) success over the weekend to capacity of 1.1m tonnes a year get the impasse resolved. More meetings are scheduled for and the closure has left idle 75 per cent of the island's refining

Jamaica's biggest refinery with rated capacity of 1.45m tonnes a year, was closed on Friday higgest bauxite ore producer after Australia and Guinea, according to the mining minis evening by a strike. try. Ore production last year Expressing concern for the was 11.76m tonnes, 4.8 per cent effect of the strikes on the more than 1993, while alumina output grew 12.8 per cent to 3.32m tonnes. industry and on the island's fragile economy, government

MEAT AND LIVESTOCK

London Metal Exchange ALUMINIUM prices rose to new 5½-year highs during lively after hours "kerb" trad-Jamaica is the world's third ing, but other metals were in

an uncertain frame of mind. News of a strike at Alcan's Jamaican alumina and bauxite operations provided the impetus for aluminium's price rise, traders said.

COPPER prices remained in the minus column throughout

was in need of some consolidation on the charts following, recent strong gains, traders explained.

At London Commodity Exchange nearby COCOA above £1,000 a tonne, "The market was a little long and we saw some people getting out," one trader said. Compiled from Reuters

COMMODITIES PRICES

2186-67

2143-4 2181/2147

2161-61.5

BASE METALS LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

M ALUMINIUM, 99.7 PURITY (5 per tonne)

2123/2122

NOVE CHANGE		F11.4-0
Open Int.	231,074	
Total daily turnover	48,763	
M ALUMINERE ALL	CY (\$ per tonn	<u>o)</u> _
Close	2005-15	2045-65
Previous	1980-90	2020-30
High/low		2060/2055
		2040-50
AM Official	2000-5	
Kerb close		2060-5
Open Int.	2,750	
Total daily tumover	1.066	
■ LEAD (\$ per sonne		
Close	692-93	708-9
Provious	689.5-90.5	706-7
High/low	695	710/704
AM Official	694-5	710-11
Korb close	0010	709.5-10.0
	07 740	100.0-10.0
Open int.	37,710	
Total daily turnover	5,528	
MICKEL (\$ per tor	rie)	
Close	9935-45	10105-10
Previous	9930-40	10100-10
	9970	10150/10050
High/low		
AM Official	9960-70	10148-60
Kerb close		10130-40
Open krit.	81,765	
Total daily turnover	11,144	
TIN (\$ per tonne)		
	6450-60	6550-55
Close		6584-5
Previous	6465-75	
High/low		6600/6540
AM Official	6485-90	6565-70
Kerb close		6555-60
Open Int.	22,698	
	6.663	
Total delly turnover		
ZINC, special trig	in gradio (\$ per	tonne)
Close	1194-95	1221-22
Previous	1200-201	1226-27
High/low	1197/1198	1231/1217
AM Official	1195.5-97.0	1223-4
AM Official Kerb close		1220-1
AM Official	1198.5-97.0 100,075 10,454	

92 5,844 2 438 15 -1.15 143.50 141.80 -1.00 141.80 140.20 -1.05 141.40 138.50 -0.85 -0.55 137.50 135.50

PRECIOUS METALS 384,60-385.00 385,10 382,35 385,80-386,10 381.80-382.00 383.90-384.30 Sever Flx Spot 5 months 5 months

57-60

1,440 -4,015 1,490 1,435 18,075 23,894 1,445 -0,072 1,510 1,440 27,254 9,896 1,495 -0,074 1,550 1,485 12,655 2,779 1,530 -0,001 1,570 1,520 11,352 1,409 1,556 -0,001 1,585 1,580 8,781 930 2,779 1,409 930 801
 Latest
 Ony's price change
 High
 Low
 Int
 Vol

 57.30
 -0.10
 57.50
 56.80
 18.363
 16.354
 75.30 4.110 85.20 55.50 18,05 15,354 55,55 18,05 15,354 55,50 18,05 15,364 57,90 +0.08 58.10 57.60 14,595 4.115 56.30 +0.08 57.00 58.70 8.886 1,757 56.25 +0.15 - 3.874 717 56.25 +0.30 - 1.479 236 332.40 \$ price 386-389 992.85-395.30

M NATURAL GAS KYNEX (10,000 mmBill; Strimbbl.)

■ WHEAT LCE (£ per tonne) 108.19 · 108.45 107.75 131 109.45 +0.35 109.45 109.00 1,514 111.10 +0.36 111.10 110.80 1,904 -3.9 384.5 381.2 -4.0 386.0 379.9 63.581 36,333 -4.0 5 2 -4.0 389.5 383.3 23.951 4.011 112.60 +0.10 112.60 112.50 341 98.15 +0.40 . 105 99.20 +0.45 98.30 98.95 1,425 WHEAT CBT (5,000bu mint cents/60to bushel) 374/6 +3/4 575/0 570/8 36,255 12,520 360/2 - 361/6 358/0 10,410 2,503 340/6 - 341/6 339/4 18,253 4,718 345/2 -0/2 346/2 344/4 1,267 199 335/4 -0/6 356/0 354/4 631 39 360/0 -1/2 - 10 87,546 18,961 PALLADIUM NYMEX (190 Troy oz.; \$/troy oz.) MAIZE CBT (5,000 bu min; cents/56% bushel) | Lutast | Dray's | Low | int | Vol | 18.36 | -0.06 | 18.51 | 18.30 | 112.054 | 67.745 | 18.22 | -1 | 18.30 | 18.30 | 23.428 | 20.669 | 18.03 | -0.05 | 18.00 | 17.94 | 30.073 | 5.112 | 17.95 | +0.03 | 17.95 | 17.96 | 14.700 | 1.860 | 17.90 | +0.01 | 17.52 | 17.88 | 12.84 | 850 | 38.95 | 18.02 | 18.03 | 18.02 | 18.03 | 18.02 | 18.03 | 18.02 | 18.03 | 18.02 | 18.03 | 18.02 | 18.03 | 18.02 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 | 18.03 SOYABEAN OIL CET (60,000lbs: cents/lb) 158.9 -1.9 162.3 158.8 2 161 161.5 -1.8 164.9 161.5 38,074 10,893 166.1 -1.7 168.0 166.1 22,021 5,148 167.0 -1.5 169.9 168.8 17,265 1,427 168.9 -1.2 171.8 189.9 5,269 50 170.5 -1.2 172.5 170.4 3,635 370 16,770 18,849 ■ POTATOES LCE (£/tonne) 364.0 +25.7 368.5 342.0 1,146 385.0 +30.0 50 250.0 Sett Day's street change legs Low let Vol 143,00 -0,50 144,25 143,00 35,527 5,531 145,75 -0,25 146,50 145,50 19,588 1,989 146,75 -0,25 147,50 147,50 3,759 211 482,25 +0,25 - 7,914 118 150,50 +0,50 - 2,347 90,883 10,416

GRAINS AND OIL SEEDS

Tes
There was good demend this week reports the
Tea Broker's Association, Assams met
Improved enquiry and gained 2 to 4p. Brightest
East Aincars were tully time but below best
and mediums were generally 1 to 3p easier and
at times a little more by the close. Ceytons and
well with selected brighter sorts advancing.
Only fait demend with prices easier where sold.
Quotations: best averable: 140p/kg, nom good:
125a/kg, good medium: 112p/kg, medium:
96p/kg, low medium: 84p/kg, the highest price
realised this week was 140p for a kenya pd.

INDICES

■ REUTERS (Base: 18/9/31=100)

E CRE Futures (Base: 1967=100)

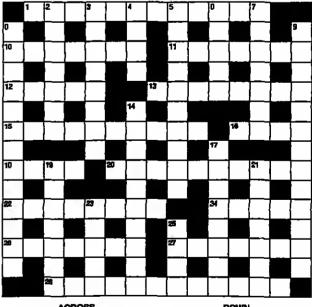
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Palm Oli (Meley.)\$
Copra (Phill)\$
Soyabeans (US) \$392.0a

Of broking and jobbing the Pelikan's fond, See how sweetly he puts your word onto bond. Selikan 🗘 4,850 -0.150 75,125 74,400 24,056 5,632 4,975 -0.175 75,100 74,075 37,525 5,621 8,250 +0,300 68,300 67,550 12,011 2,143 **JOTTER PAD CROSSWORD**

Aluminium hits fresh highs

No.8,668 Set by ALAUN



5 Left for the theatre (4,2,4) 6 Justification for the punch (5)

19 Rises and pours some into the

speed trap it got caught in (7)
23 Dwarf fish (5)

1 In which one parades one's 2 An attempt to remedy backgrievances (7,5) bearing? (7) 1 In which one parameter grievances (7,5)
10 Almost nobody is quite penniless (3,1,3)
11 Almost nobody is quite penniless (3,1,3)
12 The mark that took the bait?

1 bearing? (7)
2 Try to get the underground from the lab (4,4)
4 Cut the cakes up (4)

(7) 12 Said "Rubbish! It's the central the close of play, we're told 8 Has experience of and can identify the thing (5,4,2,2) 15 Thoroughly mixed up, is no match for the opponent (4,6)

15 Thoroughly mixed up, is no match for the opponent (4,6)

16 Have an honest mind and be logical (5,8)

18 Like tha rider, they don't walk (4)

18 Firstations with the chief (4)

18 Firstations with the chief (4)

19 Won't pay up and aren't there when you arrive (4.2.4)

17 Shrink from making a comwhen you arrive (4,2,4)
17 Shrink from making a commitment (8) 22 Going into the bar, too, I'm cup (5,2)
21 Regardless of the ingenious

tipsy (2,6)
24 It's the composer's name but

playing round again (2,5)
27 Rather spindly, back in the lead, is bolding it (7)
28 Make a good team and combine to get a draw (4,8)

Solution to Saturday's prize puzzle on Saturday February 4 Solution to yesterday's prize puzzle on Monday February 6.

INTERNATIONAL CAPITAL MARKETS

Italy outperforms other European countries

By Graham Bowley in London and Lisa Bransten in New York

Italian government bonds moved higher yesterday, outperforming other European markets, which were dragged lower by weakness in US Treasuries.

The more conciliatory tone struck over the weekend by Mr Silvio Berlusconi, the former prime minister, towards his successor, Mr Lamberto Dini. soothed Italian investors' nerves, analysts said. Provisional consumer price

data showing a slight fall in the annual growth rate in January also helped sentiment.

The yield premium on Italian 10-year bonds narrowed to 467 basis points over German bunds from 485 points at Friday's close.

Elsewhere, European bond markets fell in afternoon trading after moving sideways during the morning session as concerns about the overheating of the US economy and the weakness of the dollar on the foreign exchanges dragged US Treasuries lower.

Spain was hardest hit, with the 10-year March contract on the Spanish futures exchange down 0.53 to 83.07 in late trading. Political uncertainty continues to undermine investor confidence in the Spanish government bond market, analysts

"Any good news which causes a rally in the other high-yielding markets has little effect on Spain," said Mr Huw Roberts, European bond strategist at NatWest Markets.

"Even though the spreads against Italy and Spain are now looking attractive, nobody is looking to switch into Spain at the moment," he said. Spanish 10-year bonds are currently trading at a yield spread of 47 ■ The German March futures contract on Liffe fell back to 89.32 in late trading, down 0.43 on the day, after reaching a high of almost 89,70 during the

morning session. Investors are awaiting M3 money supply data for December, which are expected imminently and will give more

GOVERNMENT BONDS

direction to the market, analysts said. The consensus forecast is for annual growth of 5.5 per cent in December, down from 6 per

cent in November.

UK government bonds fell in line with other European markets, with the long gilt future down # at 1002 in late trading. In the cash market, the 10-year yield spread over bunds widened to 134 basis points from

132 points at Friday's close. Figures showing a stronger than expected rise in gross domestic product in the fourth quarter of last year had little impact on gilts.

Investors' attention is now turning to the CBI industrial trends report for December. due to be published today.

The report is expected to show strong price pressures and high output expectations. which will put further pressure on the government and the Bank of England to raise short-term interest rates, said Ms Marian Bell, treasury economist at the Royal Bank of

■ French government honds fell in thin trading conditions on the Matif caused by a oneweek strike hy independent traders in a dispute over fees. The March notional bond contract on Matif set-

tled at 110.26, down 0.64. The

yield spread against bunds, which narrowed to a low of 60 hasis points last week, widened by 3 points on the day to 67 basis noints.

Worries that the Federal Reserve might not be able to control inflation pushed the long-end of the US Treasury market down yesterday morning, while shorter-term securities held relatively steady.

At midday, the benchmark 30-year Treasury was down at 95% to yield 7.921 per cent. At the short end of the market, the two-year note was up h at 1001, yielding 7.461 per cent. The curve that maps the spread between two-year notes

and the long bond continued its recent steepening path as the spread widened from 40 basis points late on Friday to 46 points yesterday morning. A steepening yield curve is enerally caused by investors

in long-term accurities

demanding higher yields to offset the risk that inflation will erode their investments, Therefore, such yield-curve movements are interpreted as a sign that the market expects economic growth.

The consensus on Wall Street is that the Fed will raise interest rates hy 50 basis points at next week's meeting of its Open Market Committee, but data released last week indicating robust economic growth caused some to worry that it might not be enough.

Particularly tronbling was speculation that Mexico's economic crisis might deter the Fed from raising interest rates altogether, in spite of statements from officials that the situation in Mexico would not

affect monetary policy.

Another factor putting pressure on the market was new supply set to come from an afternoon auction of \$26.8bn in three and six-month notes.

Paribas launches asset-swap FRN

By Richard Lapper

Paribas Capital Markets reported a positive response from investors to a \$68.68m floating-rate note issue

launched yesterday.

The issue, which matures in June 1996, is the first to come from the bank's new product line, known as Liquid Asset Swap with Enhanced Return, or Laser.

Laser is effectively based on the securitisation of an asset swap and is designed to bring the advantages of the asset swap markets to a wider range of investors.

Many investors are currently excluded from the benefits of the asset swap market hy a series of regulatory, legal and other harriers.

At the core of Laser is a new Cayman Islands-based finance company, or special purpose vehicle, called Laser Finance Limited. This has been set up by Paribas but is owned by the investors who buy the paper it

For yesterday's issue dubbed Laser 1 - Paribas entered into a swap agreement with Laser, exchanging obligations on fixed-rate Swiss frame paper for those on two-year floating rate US dollar potes. The floating-rate notes are

backed by the security of the Swiss paper The notes were rated A1 by Moody's, the US rating agency. the same rating as the underly ing bond which provides collai-

Like eurobonds, the floatingrate notes will be issued in bearer form. The paper will be listed in Luxembourg and offered in minimum denominations of as little as \$1,000. The FRNs carry a coupon of six-month US dollar Liber plus 25 basis points.

Toyota Motor brings two issues in different currencies

By Martin Brice

Two issues in different currencies from Toyota Motor Credit Corporation marked a quiet day in the euromarkets

yesterday. Big issuers are waiting for the Federal Reserve Open Market Committee meeting on January 31, which they fear may lead to an increase in US inter-

est rates. However, some ayndicates said International Finance Corporation, the World Bank affiliate, was planning a large dollar issue that might come today. The IFC was believed to be thinking of a \$500m 10-year

The decision by AAA rated Toyota to bring two deals to the euromarkets in the same day is unusual hut not unprec-

profile of the issuer's name. The two deals were aimed at different investor bases.

The company revisited the D-Mark sector for the first time in three years with a DM500m deal through Dresdner Bank

INTERNATIONAL BONDS

and Merrill Lynch, which said around DM10bn of eurobonds were due for redemption within six weeks and investors were looking to roll over their funds into similar bonds. Merrill said the five-year

issue, with a coupon of 71/4 per cent, was targeted at retail demand The deal was brought at 11 basis points over the relevant

ened slightly to around 12 points over when freed to

trade. Toyota's other deal was in Australian dollars with a three-year maturity. Lead man-ager BZW said it had had the bonds lined up for some days and was waiting for the market to move to a position where it could offer them with a coupon of 10.75 per cent.

The World Bank raised DM500m by reopening a DM2bn global deal brought last October. The honds, which had a four-year maturity and a 7.25 per cent coupon, were brought through joint books Morgan Stanley and Deutsche Bank, which said this was the first time a World Bank global deal had been reopened.

A Deutsche syndicate official said: "The liquidity of the Issue

NEW INTERNATIONAL BOND ISSUES							
Borrower US DOLLARS	Amount en.	Coupen %	Price	Maturity	Foos %	Spreed bp	Book runner
Sudwest/Seutsche LE(a) Sentander Financiel Issuancest	200 150	7.ETS	100.03R 99.787R	Feb. 1997 Sep. 2004	0.125R 0.50R	+50(M) 5/4	LIBS Salomon Brothers Intl.
D-MARKS Toyota Motor Credit Corp. World Bank(c)	500 500	7.25 7.25	99.85R 99.93R	Feb.2000 Oct.1999	0.25R 0.25R	+11(7%-99) +5(6%%-99)	Dreedner/ Merrill Lynch Deutsche/ Morgan Stanley
LUXEMBOURG FRANCS Eurofimald) Pababank Nederland	2bn 2bn	6.25 7.875	101.875 102.45	Mar.2005 May.1999	1.675 1.626	:	Bill/ Crédit Européen BGL
ECU GECC	100	8.25	99.638R	Feb.2000	0.25R		Mentil Lynch International
AUSTRALIAN DOLLARS Toyota Motor Credit Corp.	125	10.75	101,145	Mar.1998	1.50		Barcolys de Zoete Wedd

strong demand for the paper had led to it tightening in to around 4 basis points below the hund, and the high price of the bonds had meant the issue

"The World Bank likes its issues to stay liquid, It had reached a very expensive level and large institutional investors were not interested any more," he added.

Final terms, non-callable unless stated. Yield spread tower relevant government bonds at bunch supplied by feed manager, ‡ Hostong-rate note, Rt fixed ne-offer price; less shown at ne-offer level, a) Long 1st coupon, b) 6-mth Libor +379-bp. Short 1st coupon, d) Fungible with DM2bn. Plus 113 days accrued, d) Issue launched 1871/95 was increased to LPi59-bin.

GECC raised Eculo0m with a deal brough through Merrill Lynch, which sald around Ecu2.5bn of paper was due for redemption within the next

1,28 2,13 0.87

1,40 S yrs 0,81 1S yrs 2,63 20 yrs 0,00 kred,†

SG Warburg reaffirms commitment to sterling

By Nicholas Denton

S. G. Warburg, the UK investment bank which announced earlier this month that it was pulling out of the eurobond market, has reaffirmed its commitment to sterling bond operations.

Warburg took Société Nationale des Chemins de Fer Belgiques (SNCB), the Belgian railway company, on a roadshow last week in the UK in preparation for a possible sterling bond issue.

The roadshow is the first since Warburg restructured its fixed-income operations and said that it was in essence pulling out of eurobonds.

Jan 23 Jan 20 Yr. age

4,04 3,91

The initial announcement on January 9 left some confusion

6.72 8.73 6.73

because Warburg also said it would continue to lead sterling. issues and make markets in them. The extent to which Warburg would service bor-rowers from outside the UK was not made clear.

In a research note published yesterday. Warburg said it intended to continue selling debt products to its institutional clients and provide a full market-making service in all sterling issues with a maturity of over 10 years. The prepara-tions for SNCB demonstrate that Warburg includes sterling . issues by foreign borrowers.

Fixed-income operations nevertheless are being much cut back: the company has dismissed 180 of the 350 staff and is reassigning others.

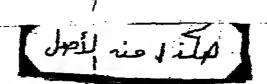
8,67 5,87 8.92 8,87 5,96 8,67 6,41 8,95 8,89 5,64 8,67 5,45 8,86 8,85 6,85

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Jan 23 Jan 20 Yr. ag

edented. The move hrings hund and Merrill said it wid-	was threatened." He said that had become illiquid.	more," he added. redemption with few weeks.
WORLD BOND PRICES		200
BENCHMARK GOVERNMENT BONDS Red Day's Week Month	BUND FUTURES OPTIONS (LIFFE) DN250,000 points of 100% Strike CALLS PLTS	FT-ACTUARIES FIXED INTEREST INDICES Pros Indices Mon Day's Fil Account
Coupon Date Price change Yield ago ago	Price Feb Mar Agr Jun Feb Mas Apr Jun 8900 0.38 0.78 0.69 1.00 0.06 0.46 0.95 1.25	UK Gifts Jan 23 change % Jan 20 Interes
uspralia 9,000 09/04 90,6300 -0.840 10,57 10,30 10,20 uspris 7,625 10/04 99,3600 -0.120 7.71 7,74 7,65 leigium 7,750 10/04 95,1200 -0.050 8,50 8,46 8,28	8850	1 Up to S years (24) 118.27 -0.03 118.61 1.2 2 5-15 years (22) 138.74 -0.33 138.69 2.1
empark 7,000 12/04 95,0000 - 8,63 9,34 9,18 empark 7,000 12/04 86,6700 -0.430 9,10 9,06 8,67	Est. vol. total, Calls 11147 Pues 11576 Previous cay's open inc., Calls 204658 Pues 136749	3 Over 15 years (9) 153.00 -0.59 153.92 0.8 4 irredeem336s (6) 175.96 -0.58 176.98 2.1
ince BTAN 8.000 05/83 100,8900 -0,120 7.68 7.68 7.27 OAT 7.500 04/05 94,8500 -0,550 8.25 8.18 8.03	Italy	5 All stocks (61) 135.41 -0.28 136.21 1.6
many Bund 7.375 07/05 98,5300 -0.460 7.59 7.53 7.45 and 6,250 10/04 82,2000 -0,300 8,78† 8,78 8,74	M NOTIONAL ITALIAN GOVT. SONO (STP) FUTURES (LIFFEY Life 200m 100ths of 100%	Index-ligited 6 Up to 5 years (2) 188,38 -0,03 188,43 1.5
8.500 08/04 81.0900 +0.990 11.87 11.91 11.52 an No 119 4.900 06/98 103,6640 +0,180 3.84 5.86 3.85	Open Sett price Change High Low Est. vol Open trit.	7 Over 5 years (11) 172.57 -0.40 173.27 0.4 8 AD stocks (13) 173.30 -0.37 173.83 0.5
No 164 4.100 12/03 96,0560 -0.210 4.73 4.64 4.58 edands 7.250 10/04 96,6400 -0.460 7.75 7.68 7.61	Mar 99.65 100.05 +0.72 100.31 99.66 39903 49518 Jun 99.30 99.10 -0.67 99.30 99.30 24 255	Average grass recentpton yields are shown above. Coupon Bandic Low! DN-7
ngai 8.87S 01/04 84.5000 +1,000 11.64 11.64 11.57 10.000 02/05 88,0800 -0.500 11.95 11.88 11.33	M ITALIAN GOVT. BOND (BTP) FLITURES OPTIONS (LIFFE) Les200m 100ms of 100%	
den 6.000 02/05 70,0400 -0.450 11.10 11.05 10.81 Sitts 6.000 08/99 90-05 -5/32 8.67 8.57 8.47	Strike CALLS Jun Mar Jun	
8.750 11/04 87-01 -13/32 8.75 8.63 8.51 9.000 10/08 102-08 -16/32 8.71 8.63 8.50	10000 1.08 1.87 1.03 2.77 10090 0.82 1.66 1.27 3.08	
7.875 11/04 100-07 -10/32 7.84 7.66 7.68 7.50 11/24 95-04 -23/32 7.93 7.77 6.14	10100 0.61 1.48 1.56 3.38 Est. vol. lotel, Calls 716 Puts 1567. Provious day's open int Calls 21864 Puts 22188	FT FIXED INTEREST INDICES
(French Govt) 6,000 04/04 88,3000 -0.380 8.70 8.82 8.60 on closing, Year York mid-day Yilda turniand.	Spain	Jen 23 Jan 20 Jan 19 Jan 16 Jan 17 Yr agu Govt. Secs. (UK) 90.57 90.83 90.80 90.91 91.07 107.04
oss (including withholding tex at 12.5 per cent payable by normalidents) in: US, UK in 33mts, others in decimal Source: MMS International	NOTIONAL SPANISH BOND FUTURES (MEFF)	Fixed interest 109.20 109.29 109.30 109.35 109.34 133.68
	Open Sett price Change High Low Est vol. Open Int. Mar 83.66 83.09 -0.53 83.74 83.07 42,981 52,702	 for 1994/5. Government Securious high since complication: 127.40 (9/1/35), low 4 28 and Frank Intervet 1928, SE erayby indices rebased 1974.
INTEREST RATES	Jun · 83.62 · 50 150 UK	
time Treesury Bills and Bond Yields	M NOTIONAL UK GILT FUTURES (LIFFE)* \$50,000 32nds of 100%	FT/ISMA INTERNATIONAL BOND SERVICE
One month S.13 Two year 7.48	Opon Sett price Change High Low Est. vol Open mt. Mar 100-31 100-18 -0-17 101-00 100-16 39816 90613	Used are the latest international bonds for which there is an adequate according
00 me month 5.13 Two year 7.46 00 5.10 Three year 7.66 00 10 10 10 10 10 10 10 10 10 10 10 10 1	Jun 101-00 100-25 -0-16 101-02 100-25 252 588 # LONG GELT FUTURES OPTIONS (UFFE) 550,000 64/8s of 100%	issued Bid Offer Chg. Yield
	Strike CALLS PUTS	U.S. DOLLAR STRAKSHTS United King Abbey Nat Treasury 61-200
	Price Mer Jun Mer Jun 100 1-16 2-26 0-44 1-40	Aborto Province 7% 98 1000 B64s 984s 4s 8.21 World Rook
	101 0-48 1-58 1-10 2-08 102 0-24 1-25 1-50 2-40	Austral 8 ¹ 2 00
ID FUTURES AND OPTIONS	Est. vol. total. Calls 518 Puts 6067. Previous day's open int., Calls 39243 Puts 49035	Belgum 5 ² : 03 1000 92 ³ ; 82 ³ ; -3; 8.41 SMRSS FR. BFCE 7 ³ ; 97 150 95 ⁵ ; 100 7.83 Asian Davi
		British Glas 0 21 1500 11 11½ -½ 8.59 Austria 4½ Corneda 0 95 1000 101½ 101½ 7.62 Counts Est
Ce	Ecu	Chang Kong Fin 5 ¹ 2 85 500 88 88 ¹ 2 -1 ₈ 9.49 Denmark 4 ¹ Chine 8 ¹ 2 04 1000 83 83 ¹ 2 -1 ₈ 9.53 EB 8 ¹ 6 04
TIONAL FRENCH BOND FUTURES (MATIF) Open Sett price Change High Low Est, vol. Open Int.	ECU BOND FUTURES (MATIF)	Council Surope 8 96 100 100 ¹ g 100 ¹ g 7,95 Bec de Fra Credit Forncie: 9 ¹ g 98 200 104 ¹ g 104 ¹ g - 104 ¹ g 8.19 Finland 7 ¹ g
110.60 110.26 -0.64 110.74 110.26 82,207 139,383	Open Sett price Change High Low Est. vol. Open int. Mar 80.80 80.40 -0.52 80.70 80.34 2,140 7,130	Dermark 54, 99
109.94 109.44 -0.66 108.94 109.56 521 4,480 109.30 108.80 -0.66 109.30 108.30 2 1,552	Jun - 80.14 -0.52 1	EEC 81e 95 100 10012 1001e 7.80 Ortario 81e
IO TERM FRENCH BOND OPTIONS (MATE)	US	EB 9'4 97
Feb Mer Jun Feb Mar Jun	## US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100% Open Laiest Change High Low Est vol. Open int.	Gac de Prance 9 86 200 162½ 162½ 8,14 World Bank Eurollins 6½ 36 100 101½ 101½ -1g 7,50 World Bank Eu-1-10 Bank Japan 5 02 500 86½ 99½ -1g -1g 2,22
0.43 1.01 1.35 0.16 0.74 1.80	Mer 99-09 86-30 -0-09 99-12 98-23 358,657 363,050 Jun 99-26 98-17 -0-08 98-29 98-15 2,457 19,175	Export Dev Corp 9/2 98 150 103% 104 4 8.16 YEN STRAI
0.06 0.51 · 0.79 1.22 ·	Sep 69-20 98-08 -0-07 98-20 96-06 206 1,488	Fintand 6-k 97 3000 967 97% 8.15 EB 65,00
local, Calls 18,818 Puts 19,089 . Printious day's open Int., Calls 192,050 Puts 173,033.	Japan	Ford Motor Credit 64: 98 1500
nany	M NOTIONAL LONG TERM JAPANESE GOVT, BONG FUTURES (LIFFE) Y100m 100ms of 100%	and Bk Japan Fn 77, 97 200 99 862 8.36 Japan Dev 1 http://www.dev.org.com/sept.com/sep
TIONAL GERMAN BUILD FUTURES (LIFFE) DM250,000 100ths of 100%	Open Close Change High Low Est vol Open int. Mar 107.96 107.96 2347 0	lady 57 23 3500 77 177, -5 237 Micron Tel Jesen Dec 5: 83: 01 500 1002 1004 - 2 226 Micron 54
Open Sett price Change High Low Est. vol Open Int. 89.58 89.32 -0.43 89.70 89.28 110914 193667	Jun 107.20 107.24 107.20 60 0	Kansai Sec Pwr 10 95 350 102 4 102 2 7.89 SNCF 64, 0 Kores Sec Power 9 3 03 1350 84 2 845 4 9.22 Soan 64, 00
89.08 88.74 -0,43 89.10 88.71 409 5188	* LIFFE futures also traded on APT, All Open Interest figs. are for previous day.	LTCS Fin 6 97 200 36 ⁵ s 95 ⁵ s + 1 ⁶ s 8.35 Sweden 4 ⁵ s Metsushiba Bac 7 ¹ s C2 1000 94 ¹ s 94 ⁵ s - 2 ⁶ s 8.46 World Bank
GILTS PRICES	8-70-8-10-10-10-10-10-10-10-10-10-10-10-10-10-	Norway 71, 97
		Oster Kontrollomic 6 ¹ / ₂ 01 200 101 ¹ / ₄ 101 ¹ / ₂ 1 ₂ 8.22 Gentinunce Petro-Carucka 7 ¹ / ₄ 95 200 99 ¹ / ₈ 89 ⁵ / ₈ 7.60 K/S Daut Inc
Notice Int. Red Price £ + or - High Low Notes Int.	1994/95	Portugal 5% 03
Lives up to Fire Years) Gas 1990-96 2.03 6 47 99-3 103-4 97-4 Tress 8-upc 2004; 775	8.83 1044 -15 1251 1012 leden-linked (b)	Outbut Prov 9 98 200 10114 1013 _1 8.52 Bent Ned G Selestory 91 95 150 10112 102 8.08 Alberta/From
1995 10.07 6.89 101 4 10763 101 8 8 120 3005 3.84 100 1995‡‡ 12.19 6.82 1045a 1135a 1045a Cont 9 to at 2005	872 983 -13 1003 97 45ac 984 -135.6 304 125 1064 -2 1132 1064	SAS 10 99 200 103 % 104 % 4 8.97 Bel Carnets SNCF 3 2 95 25 150 103 % 104 % 4 8.15 British Colum
96 13.13 7.06 1065s 117.4 1065s Gard 3 2 2 2003-5 10.36 1996tt 13.94 7.39 10985 1218 1091 Trips 12 2003-5 10.38	27 mm 17 1311 mm 1400 mm 100 mm 100 mm 100 mm 1100 mm 100	Scath 61 ₂ 99 1500 931 ₂ 931 ₄ 821 EB 101 ₄ 98 Scath 51, NSW 81 ₂ 96 200 1001 ₄ 1001 ₄ 9.03 ENc de Fran
06 1996; 1 - 1237 7.49 101	8.78 941 -12 1115 9131 21-00	Sweden 6 ¹ / ₂ 03 2000 85 ¹ / ₄ 89 - ¹ / ₄ 862 Gen Blec Q Swedish Export 8 ¹ / ₂ 95 700 100 ¹ / ₂ 100 ¹ / ₄ 7.86 KW int Fin
opc 1997# 12.12 8.11 1097 1211 1097 Treas 8120c 2007 # 8.64	8.72 9811 -1 1193 956 21-00 73	Tokyo Biac Power 5 ¹ x 03 1000 86 ¹ 2 86 ¹ x - ¹ x 8.40 Napon Tai 1 Tokyo Merupotis 8 ¹ x 96 200 100 ¹ x 100 ¹ x 7.91 Onlano 8.03
c 1997## 8.67 8.35 100% d 110% 100% Trees 9pc 2008 ## 8.80	870 10214 -2 12414 0912 21-00 201 1273 178 193 1274 -2 1524 12812	Toyota Mater 5 ¹ , 98 1500 53 ¹ / ₂ 83 ¹ / ₄ 8.03 Ontario Hyd United Kingdom 7 ¹ / ₄ 02 3000 94 ² / ₄ 95 ¹ / ₄ - ¹ / ₂ 8.16 Outer Kinds
1997 12.97 8.48 1151 1311 1151 Tress 80c 2009 8.48 8.57 100 2 -1 1141 1021 Tress 80c 2009 8.48 8.57 100 2 -1 1141 1021 Tress 80c 2009 8.48 8.48 8.57 100 2 333	Prospective real recomption rate on projected inflation of 115 10%	World Bank 8 ¹ ₂ 99 1500 1075 ₂ 1077 ₃ - B.11 Quebec Pro- World Bank 8 ¹ ₂ 97 1500 102 ¹ ₂ 102 ¹ ₂ 7.71 Beigker 9 ¹ ₂
c 1985-962# 7.11 8.58 949 -5 102 935 18-1 12.18 8.77 11451 -3 131,7 11451	and (2) 5%. (b) Figures in parentheses show RPI base for industry (is 6 months prior to issue) and have been adjusted to	DELITSCHE MARK STRAIGHTS Credit Lyon
1956 1956 10.58 6.76 11044 1254 1103 Over Filteren Years	reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for May 1994: 144.7 and for December 1994:	Austra 5/2 24 2000 62/4 82/4 8.11 68 10 97 8
pc 19951	8.67 102(2 -12 125)(100))	Denvisit 64 98 2000 974 98 4 6.91 hay 10% 00
1999 # 6.65 8.67 904 2 1010 882 1885 90 3012	8.62 795 -3 824 774	Deutste Bh. Fr. 7 2 13 2000 974 98 49 7.89 United Kings
74th 2012-1555 9971 - 100-5 9913 100-54-551- 8-43	8.60 94) -5, 1179 82 Yield	EEC 61/2 00 2900 95% 95% 7.28 AIDC 10 98/ EE 64/2 00 1500 95% 95% 14 7.37 Comm Br A
Treats 64pc 2017## 8.61 Each 12pc 2013-17 9.30	8.01 107 200 -31 1284 285 Asian Der 104 sec 2009 9.35 9.12 1865 -2 1284 1075	Finland 71 ₂ 00 3000 1001 ₈ 1001 ₂ 1 ₈ 7.47 88 73 ₁ 99 / toly 71 ₄ 98 5000 997 ₈ 100 7.29 NSW Treeze
Anda Years	Paland Cap 8-ptc 10	LKB Beden-Waters 6 ¹ 2 082250 87 ¹ 2 87 ¹ 6, - ¹ 2 8.03 R & I Bank 7 Norway 6 ¹ 2 981500 97 ² 3 98 ¹ 6 - ¹ 7 6.56 State Bk NS
100	13pt V7-2 12.09 - 10712 -4 1154 108	One-70 64 Q4 1500 8574 80 -14 6.04 Sh Aust Gov Span 71, 00 4000 9678 9612 -14 7.87 Uniterer Aust
1990	- 45.2 4 52 443 Uherpool 37.ppc freed 958 - 3612 443 224	Sweden 6 97 2500 102 102 7.16 Western Aust
7.25 8.77 913 - 1086 893 War Loan 31-20-11 8.55	- 401 -11 5413 3911 Ulcard star 11 lync 2007 10.04 953 11412 1364 11114	STRAIGHT BONDS: The weld is the yeld to rectange on of the bid-pinot, the tensor has RELECTING PLATE NOTES: Described in dollars whose stratumes widested, Coupon
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FT FIXED IN					5 Jun	17 Yr ago High" Low"	GILT	ED	達D	AC	Jan 20	Jen 19	Jan 18	Jan 1	7 <u>J</u> æ	n 18
lovt. Secs. (UK)	90.57 90		90.80				GRt Ed 5-day			5	79.9 85.3	80.2 85.4	87.3 85.1	88.5 84.9		91,0 85.0
	en Secures h	ugh since	Compile	ettors 1	27.40 E	V1/35), low 49.16 (3/1/75). Fixed Interpel	t high sin	ce comp	Patient	133.87	R1/1/90 , los	50.58 pm/1/75) . Basin 10	Ck Governme		
FT/ISMA IN	TERNAT	IONA	L BC	DNC	SEF	INCE										
stact are the latter, no	errational bon					in according market. Latest prices at			-				-			
	leaved	Bid	Offer	Chg.	Yleki	Necrod Necrod				_			beued		Other Ch	
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ustre 812 00	1000	1014	96 ³	4	8.21	World Bank 0 15 2000 World Bank 57 03 3000	22 861	22 ¹ 4	44	7,51 7,76	British Land	95 E	150	96 ⁵ 8	68 7	10.2
ank Ned Gerneenten 7	98 1000	95%	B61	-4	8.10	World Bank 64; 00	110	17012	-	8.43	EBBOOE.		7000	234	8312 -1	8 9.0 4 9.1
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macts \$ 95	1000	1013	1015	-74	7,42	Austria 4½ 00 1000 Count Escope 4½ 95 250	100	974 100 ¹ 2	178	5.04 4.75	Japan Day 6	k 7 00 P	200	1053 1	913, 913,	4 9.5
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and Sixoe 8 96	100	1004	10012		7,85	Bec de France 74, 98 100	110	110%		5.98	Powerner 6	01 E	250	not.	071 965	
edit Fonder Pig 98	200	1047g	304 k	4	8.19 8.06	Firstend 7 ¹ s 98 300 Hyundai Miotor Fin 8 ¹ z 97 100	107 106 ¹ 2	100 107 ¹ 2	٦	5.51 5.75	Sovern Trent	11 ¹ 2 99 E	150	1075	105 -	0.3
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C 8'c 95	100	10012	100%		7.80	Ortario 61c 03 400	102	104 ¹ 2 102 ¹ 4	+24	5.71 5.93	Credit Local	02 NZ\$	75 7000		00% -1	9.5
9 7% 99 B 9% 97	250	100	1004 1034	-3	7.70 8.00	Guebec Hydro 5 08 100 SNCF 7 04 450	85 ¹ 2	1094	74	6.69 5.74	Bec de Fran	ce 84 22 Ffr .	3000	995 1	00 ¹ 8 -5	8.7
c de France 9 115	200	1024	1025		8.14	World Bank 5 00 150	B714	974	+14	5.41	SMC1- 94/ 8/	M	4000	1033 1	035	7.5
rotims 9 ¹ 4 95 Him Bank Japan 5 02 .	100	101 % 98 4	1014	4	7.90 8.22	World Bunk 7 01 600	107%	10832	-74	5.47	FLOATING I	HATE NOTES				
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tand 6% 97	3000	267	877	-1	8.15	Belgium 5 99 75000 EB 65 00 100000	1103	1033	+18	4.16	Benco Rome	10 90	200	99.46	99.54	6.531
nd Motor Credit 64, 98 in Elec Capata 94, 95 .		945 ₈	102		8.42 7.82	Finland 6 ³ 4 99 50000 Inter Amer Dev 7 ³ 4 00	1045	104 k	44	2.08	RECE-AND	7 DM	960	100.08	100.16	6.12
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or Amer Dev 7% 96	200	9912	96 ³ 2		8.36 7.92	Japan Dev Bk 5 89 100000	103%	104 1703	474	4.67	CCCE 000	18	2000	99.20 99.13	99.26	5.562 5.750
y 67 23	3500	77 ³ g	77% 100%	7	8.31	Japan Dav Bit 6 ¹ 2 01	1045	1047		299	Credit Lyonn	98	200		96.00	8.687
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C8 Fn 6 97	200	363°s	953	4	9.22 8.35	Spain 54, 02 125000 Swindern 45, 98 150000	108 1025	106 ² 6 102 ³ 6	4 [™] g	4.74 3.69	Financ U 97	0.10 97	1000	28.80 38.80	100.07	6.225
atsustrika Elec 74, 02 _ neay 74, 97	1000	94 ¹ 4 95 ⁷ 4	945g		8.46 7.80	World Benk 54 02 250000	1037	1037	•	4.88	M Bank Inti	4 98	500	98.83	100.03	6.750 6.187
cano 7½ 03 aar Kontrolloank 6½ 01	3000	934	84	4	8.64	OTHER STRAIGHTS					LKR Reden-k	Mare Do Ja O	B 2000	100.02	100.08 99.41	6.625 5.879
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ete B. Fn 72 00 _	2000	974	98	44	729	United Hingdom 94s 01 5cu 2780	1023	70232	٦,	6.60	Mount ha Re	5la 07	200 23	3C.6 78	78 2	7.5
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CURRENCIES AND MONEY

MARKETS REPORT

Yen weakens as earthquake worries continue

The yen was yesterday the focus of currency market attention as stock market weakness, and the prospect of lower interest rates, undermined the currency, writes Philip Gawith.

The 5.6 per cent fall in the Nikkei Stock Average caused the yen to weaken to Y100.2 against the dollar, from around Y99.4, during Asian trading. The move was not carried through during European trad-ing, with the yen recovering to close in London at Y99.725 . from Y99.17.

Comments from Mr Yasuo Matsushita, the Bank of Japan governor, indicating an easing of monetary conditions following last week's earthquake, also caused yen weakness.

The generally weak tone of the dollar was attributed to continued concerns that the Mexican financial crisis was bad for the US economy. Wor-ries about the delay in announcing a US support package for the Mexican peso, meanwhile, caused the peso to slip two cen-

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In Europe, the D-Mark had a mixed performance. It was firmer against the peseta and the Swedish krona, but lost ground against the escudo, the lira and the french franc.

In the UK, strong fourth quarter GDP figures bolstered expectations of a further monetary tightening, lending support to the pound. Sterling gained around one pfennig and one cent, during the day to touch the DM2.41 and \$1.5950 41 levels in New York trading.

A market perception is gradually developing that last week's earthquake is bad for the yen. Firstly, the economic damage caused is seen as mak-

ing Jap	anese asse	ts less attr
Poun	in New Yor	k
Jan 23	—Latest—	- Prev. close
£ apol.	1.5966	1.5890

tavos, to 5.715 pesos, from 5.695 tive. Exacerbating this fear yesterday, and causing the sharp fall in share prices, was newspaper story which suggested that the government might be scaling back its sup-

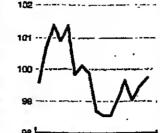
port of the stockmarket. Secondly, the Bank of Japan has made clear that it is ensuring adequate liquidity to regions which suffered damage. The market has concluded that this means interest rates will stay low for longer than originally anticipated.

This was reflected in the movement of euroyen futures. with the June, September and December contracts yesterday gaining six, 13 and 17 basis points respectively.

If the market's one eye is on Japan, the other is still very much with Mexico. While the market's reasoning is not always clear or consistent, the main conclusion is simple bad for the US, and the dollar. Thus, explanations for recent

dollar weakness have included

Against the Yen (Y per \$)



January 1995

both the fact that a dollar support package might not be passed (perhaps leading to financial melt-down in Mexico), and that it would be passed (leading to more US

spending).
In terms of economic data, dollar traders will be watching the preliminary estimate of fourth quarter GDP, to be released on Friday. This will

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

shape market expectations of what the Federal Open Market Committee is likely to do when it meets next week.

Most analysts argue that the dollar needs a further decisive tightening if it is to recover. A glimmer of hope for dollar bulls came from Mr Hans-Juergen Krupp, a Bundesbank council member. He seemed to indicate that a further cut in German interest rates might be in the offing, saying that the current German discount rate, of 4.5 per cent, was too high a level from which to start tight-

ening policy.

Analysis warned, though, that Mr Krupp is known as an inflation dovs. Recent economic data have also not supported a cut in rates.

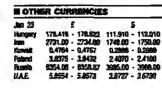
European currencies were the subject of some high level comment. Mr Edouard Balladur, the French prime minister, said that European monetary union would contribute to world monetary stability. He

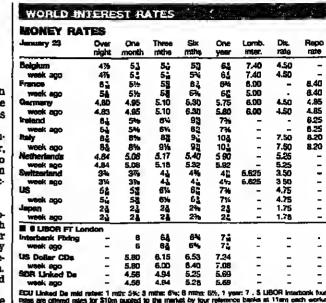
the EU should make it possible to set up a single currency as early as 1997.

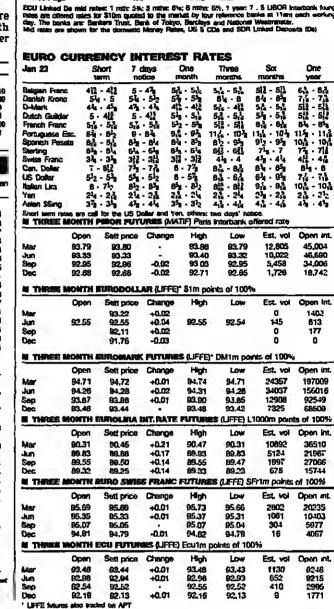
In Italy, meanwhile, Mr Lamberto Dini, the prime minister, said the return of the lira to the exchange rate mechanism "remains our primary objec-

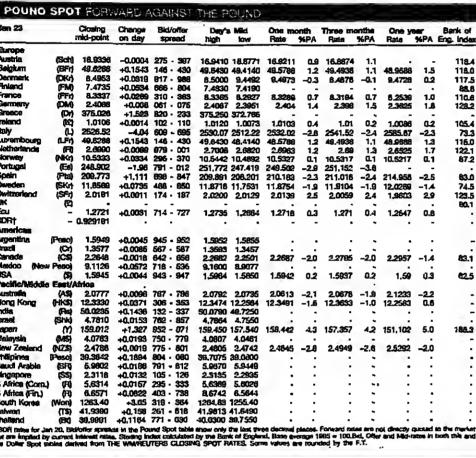
■ The Bank of England provided UK money markets with £195 of late assistance. Earlier it had injected £141m liquidity at established rates, after forecasting a shortage of £600m. Overnight money traded between 5% and 7% per cent. Money market rates were

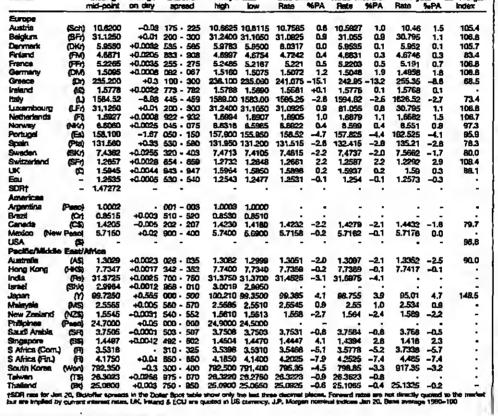
firmer, with three month LIBOR trading around 611 per cent from 6% per cent.

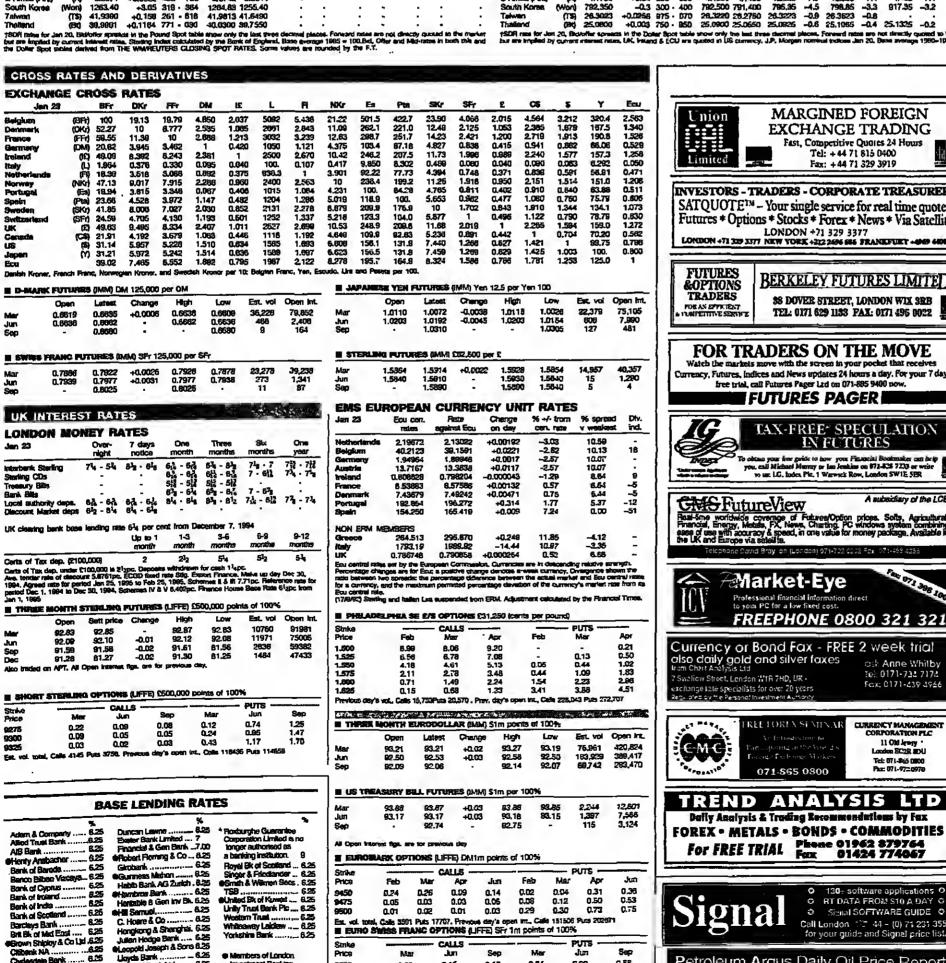














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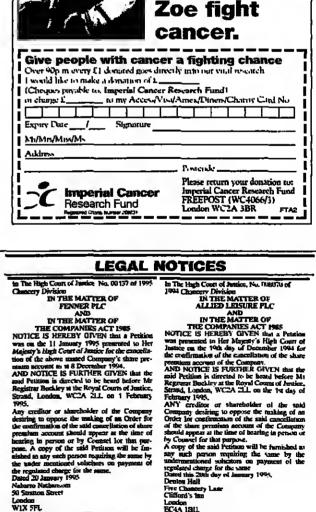
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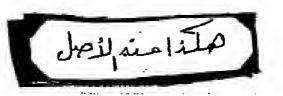
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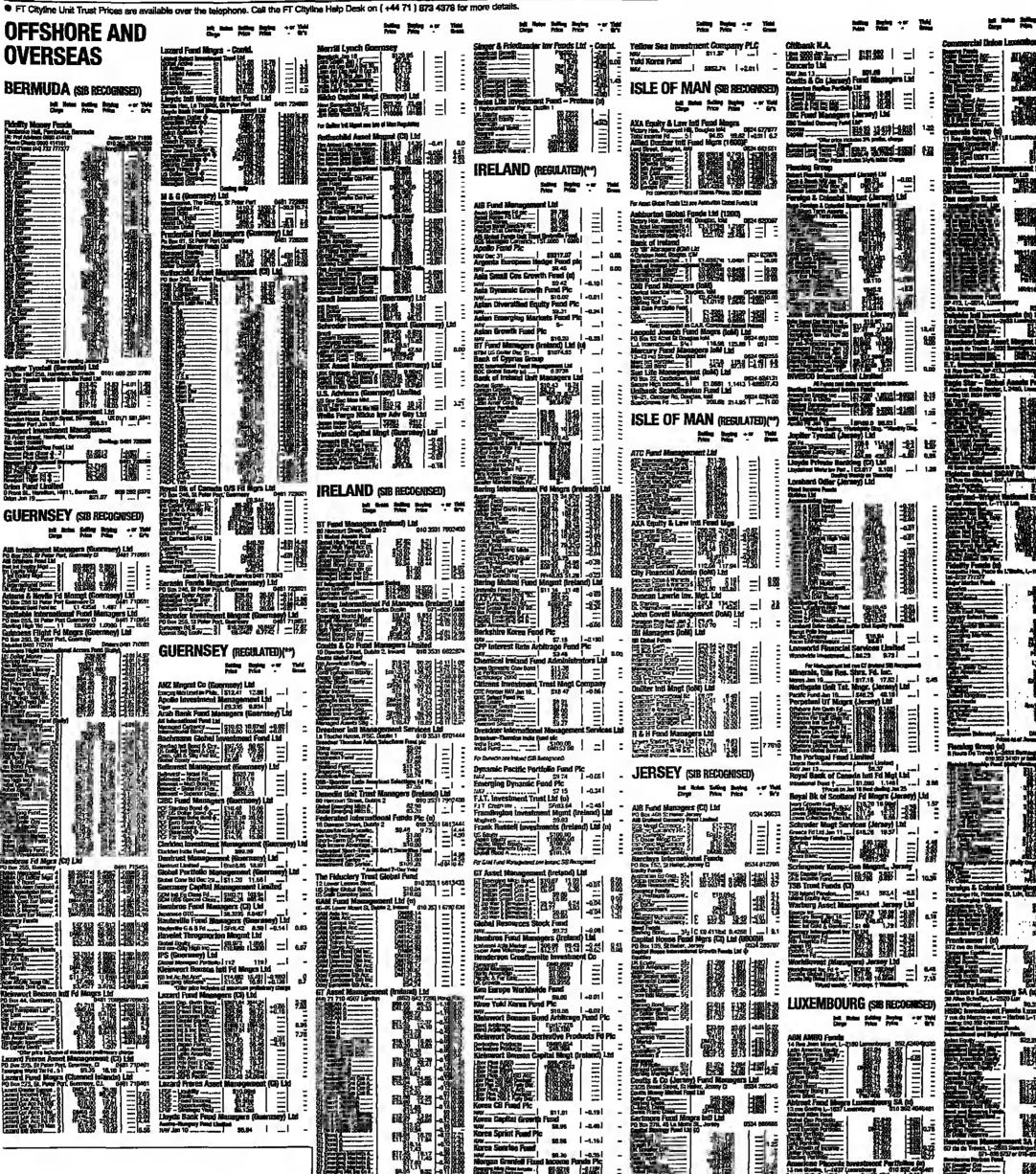
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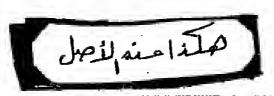
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Futures selling triggers setback in blue chips

By Terry Byland, UK Stock Market Editor

Growing conviction that interest rates are headed higher, coupled with worries about the financial implications of the Japanese earthquake, yesterday smothered any potential benefits for the UK stock market of proposals for the largest

corporate deal on record. Glaxo's £9.4bn bid for Wellcome, the news the market had been waiting for, included around 26bn in cash, much of which is likely to be available for reinvestment in equities. But the wider global fears held sway and the FT-SE 100-share Index fell 40.8 points or 1.36 per cent to 2,954.2. At the day's low the Footsie touched 2,949.4. The wider-ranging FT-SE Mid 250 Index lost 40.3 at 3.384.3, confirming that bearish sentiment had ruled across the market-

Both market indices and volume were distorted by the focus on the pharmaceuticals sector. Brokerage analysts calculated that, had the drugs sector been stripped out, the Pootsie index would have shown a loss of nearer 50 points yesterday. Of Seaq volume of 623m shares traded, around 14.6 per cent came from Wellcome. Glaxo and Zeneca, with the last-named active as analysts suggested switching from Glaxo into the next likely bid candidate.

London shared in the general setback across European securities markets, opening sharply lower following widespread falls in Far Eastern markets as they followed the 6 per cent loss in Tokyo as the possi-ble costs of the Kobe earthquake

were calculated. Far Eastern investment trusts fell sharply.

Little recovery was made in the first half of the session and sentiment received a further blow from the UK GDP numbers for the fourth quarter of last year, which seemed to confirm that base rates will have to rise next month.

Markets were then hit again when New York opened to face bad news from the National Association of Purchasing Management (NAPM). A significant ungrading of the NAPM's pricing index set the scene for Friday's announcement of the US GDP figures which, markets are now convinced, will clinch the probability that the US Federal Reserve will raise interest rates when its open market committee

meets on January 31. London equities were undermined by a severe bout of selling of the Footsie March futures contract, which plunged to a discount against the cash market in mid-afternoon.

was not dramatic, there was no donbting the underlying weakness.
"If this is how the London market greets the biggest takeover bid in its history, then it is clear that we are in trouble," summed up a widely held view in the trading

While selling of equities, mostly

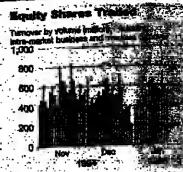
from the hig marketmaking firms,

rooms. Other company features were largely pushed aside by the activity in the blue chip drug stocks. Cadhury-Schweppes turned down after admitting that it is in discussions with Dr Pepper/Seven-up, thus confirming another long-held market rumour, the implications of the £500m rights issue involved were absorbed by a market concentrating on other things.

Interest rate-sensitive shares, including retail stores and construction company stocks, shared in the general setback. Blue chip internationals participated in the falls across global markets on the fear that the costs of the Kobe disaster, put by some sources at around 10 per cent of Japan's GDP, might bring a wave of repatriation of investments by Japanese investors.

the UK stock market at the close of trading yesterday, and this morning's opening is likely to be cautious at best. Investors feared a renewed slide in Far Eastern markets overnight and could see little reason why views on interest rate prospects should recover ahead of the FOMC meeting.





Other Services & Bens

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Wellcome soars on bid move

A long-standing market rumour became fact yesterday as Glaxo launched a £9.4bn hid

The latter shot up 273 to 961p on turnover of 50m shares, the highest ever recorded in the stock. Glaxo fell 44% to 599p with 30m dealt. Trading in options was also feroclous.

The paper and cash offer, worth 1025p a share, will be the biggest corporate takeover in the UK if it succeeds, It would create the UK's biggest company by market capitalisation and the world's largest pharmaceuticals group.

Even after the sharp rises, investors purchasing Wellcome shares were still able to buy into Glaxo at a near 50p discount. The disparity reflected the element of uncertainty over the deal going ahead. Analysts said there were unlikely to be any problems with the UK's Monopolies and Mergers Commission but it was possible that the EU could

rule against it. There were also eyebrows raised over the performance of Wellcome shares last week and yesterday morning. There was particular unhappiness in the options section of Liffe, where one deal carried out just two minutes before the news broke investment of just £18,000. The background to that and other deals is expected to come in for close scrutiny from the Stock Exchange.

Nevertheless, Glaxo's offer had its fans. Dr Erling Refsum of Yamaichi said: "This is horizontal integration hetween a marketing-led company [Glaxo] and research-led company which already have close links. It will lead to significant cost cutting and a group with 5.3 per cent of global market shara. Another specialist argued that between £600m and £800m of costs could be taken out "without a scratch" and the deal would be earnings enhancing from next year.

Drugs sector up

The pharmaceuticals sector was enlivened by the Glaxo bid for Wellcome and the spotlight shone on Zeneca, which has been considered for some time to be a rival takeover candidate. Zeneca jumped 24 to 916p, although one analyst questioned the wisdom of investing in a stock that was "already overvalued on fundamentals a a time when two potential bldders have been removed".

However, there was also the attraction of the weight of money that would be generated by the bid. It should pump some £6.3bn of cash into the beleaguered London stock market and much of that would go into the drugs sector. There was an argument that the main heneficiaries would be the second-line stocks, but netted a cool £500,000 for an Footsie stocks were also

dragged higher. SmithKline cham improved 2 to 468p, Fisons 24 to 108p, Medeva 2 to 174p. Scotta 9 to 325p and Smith & Nephew a half-penny

Warburg talk

Takeover speculation contin ued to focus on other so-called bid targets such as S.G. Warhurg, the merchant bank. The stock raced higher early in the session, touching a day's best of 763p, up amost 30, as speculators looked for the next big bid situation in London.

Aiding the upsurge in Warburg shares was the view that in the company's position as one of the UK's premier merchant banks it would inevitahly play a major part in the sudden burst of merger and acquisition husiness erupting in the UK market; Warburg Securities is broker to Glaxo.

Dealers insisted, however, that the main driving force hehind the Warburg share price was the continuing takeover stories circulating in the market. Dealers remain convinced that a potential bidder for Warburg is hovering. Warburg shares could not shrug aside the hig falls across the market, however, and ended a net 5 higher at 736p. Mercury Asset Management closed 8

firmer at 757p, after 760p. Commercial Union, which recently acquired control of Group Victoire, one of the big French insurers, was the main casualty in the composite insurance sector, the shares tumbling 191/2 to 4731/2p as the market took fright at the massive flood damage affecting Brittany and other parts of France. Prodential dipped 4 to 309p, albeit in relatively light turnover of 1.8m shares, after news of the resignation of Mr Mick Newmarch, the group's

Cadbury-Schweppes fell 12 to 389p after confirming that it was in merger talks with Dr Pepper/Seven-Up and was

FINANCIAL TIMES EQUITY INDICES

	Jan 23	Jan 20	Jan 19	Jan 18	Jan 17	Yr ago	"High	LOW
Ordinary Share	2239,3	2280.9	2309,9	2338.1	2345.0	2571,1	2713.B	2238.3
Ord. div. yield	4,66	4.57	4.52	4,47	4.46	3 49	4.00	3.43
Earn, yld. % full	6.84	6.71	6.63	6.56	6,54	3.95	8.84	3.82
P/E ratio net	16.91	17.24	17.44	17,64	17.69	31,91	33.43	16.91
P/E ratio nit	15.37	16.69	16.89	17.09	17.13	29.58	30.80	16.37
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likely to make a £500m rights

There have been worries over Cadbury's gearing following heavy acquisitions in 1993. There are also concerns over a possible price war, although Henderson Crosthwaite said that as a franchising company rather than a bottling company Dr Pepper would not suffer price competition from compa-

nies such as PepsiCo. Associated British Foods put on 3 at 5830 on what one analyst described as a "politically incorrect response to news that it had one of the worst corporate governance records

in the UK. The big losses encompassing Japan, hattered by the recent earthquake, and Hong Kong, where markets have been hit by the double impact of a weak dollar and worries about the health of Chinese leader Deng Xiaoping, produced worrying losses in associated stocks.

HSBC was the worst affected the shares sliding 36 to 589p in heavy turnover of 5.6m shares. Standard Chartered receded 8 to 247p on 3.5m traded. Cable and Wireless, which derives more than half of its profits from its Far Eastern interests, finished 15 down at 354p following keen turnover of 5.8m

British Aerospace was buoyed by the recent move to link up in turbo props with Franco-Italian venture ATR. Sentiment was also given a boost hy news of a steep rise last year in global orders for turbo prop aircraft. According to US press reports, 1994 orders jumped from 182 aircraft to 332. BAe closed unchanged at 452p after 2.6m turnover.

T&N added a penny at 145p, helped by a note from Natwest Securities which looked

FT - SE Actuaries Share Indices

about a rights issue and dividend cut to an eventual recov-

ery to 200p by 1997. Channel tunnel operator Eurotunnel stood out in a retreating transport sector. tumbling more than 7 per cent discount to the 300p at which the bulk of the group's warrants are exercisable. The units closed down 19 at 278p. P&O dipped 10 to 560p following a reaffirmed sell stance

from James Capel. Chemicals group BOC gained penny at 727p, reflecting a severe shortage of stock in the market. Retailer John Menzies rose 10 to 511p on encouraging

interim results. Steve Thompson,

MARKET REPORTERS: Peter John,



price	Amt	Mad.	196	M/95		Close		Net		Gra	
P	H\$	(Em.)	High	Low	Stock	P	+/-	dv.	COY.	yld	-met
100	F.P.	4.99	99	80,5	Asset Man Inv	99		-	_	-	
	F.P.	1.93			Cate, Medie Witts	81 ₂				•	
-	F.P.	54.4	173	133	Chydeport	156	-6	PM3.51	-	28	
\$10	F.P.	34.2		570	First Russian Fr	570	-15		-		
500		45.3	512		Gertmore Mic Uts	510		-	-	-	
-	F.P.	28.3			HILL HERD	104	+1	N3.38		41	12
100		27.0			Kin Capital	100		FLO		8.0	
-	F.P.	27.1			Lazerd Birle India	52	2	-	-	-	
-	F.P.	3.15			Do Warranta	3012	-4		*	. =	٠.
35		221			MCIT S Cap	34	-1		-	-	
35					MOIT 5 Inc	36				13 .	
53				3	MICE Group	34		6NO.1	32	3.7	10
100					Metheson Lloyds	82		-	٠.		
-	F.P.	21.0			Pentex Oil	105		,	-	-	•
182		1,475.9			TelelWoot	174	32	-	-		
100			102		Wellington Un.	102		-	- ÷	·. =	
	F.P.	262.1	128	118	Woodchester Units	125		-	· -		

FT GOLD MIN	es in	DE	K			
, inc	% chg	,ion	,Jou	Aum.	Gross after	152 week
20		119	18	900 -	year %	Wigh Last

AMCO MG

1.1 0.4 1.3	2255.75	2 2858,49 5 2228,33 7 1506,47	3013.09	4.86 2.28 0.88	3013	87 2304.45 89 2129.85 94 1386.34
196	enles, Bo	w US Do	Anra, Dess	Values	1000.00	31/12/92,
dia	lon.	a design	: -1.5 Year	edot 55	4.1 P.P.	
	-	_				_
				ne L	JK S	eries
18	Year	Div. yleki%	Earn. ylekt%	P/E ratio	Xd adl. ytd	Total Return
4.9	3451.4	4.37	7.52	15,71	3.28	1129.10
5.0	4100.9	3.74	. 5.46	18.47	6,72	1277.57
5.5	4115.0	3.88	6.96	17.26	7.04	1282.90
9,4	1758.3	4.22	7.27	16.27	1.95	1159.65
1.8	1764 9	5.27	7.76	15.4D	2.74	970.97

2.11 47.33 2.31 853.97

8.08 7.85 7.93

7.21

2.47

4.15

898.9

		Day's	00	h		Year	Div.	Earn.	PVE	Xd ad	
	Jim 23	_	Jan 20			ago	yleld%	yteld%	ratio	- ytd	Return
FT-SE 100 FT-SE Mid 250	2954.2 3384.3	-1.4 -1.2					4.37 3.74	7.52	15.71		1129.10
FT-SE Mid 250 ex the Trusts	3403.0	-1.0							17.26		1282.90
FT-SE-A 350	1482.4	-13					4.22	7.27	16.27		1159.65
T-SE-A 350 Higher Yield	1509.6	-1.7				1764.9	5.27	7.76	15.40		970.97
T-SE-A 350 Lower Yield	1454.9	-0.9				1707.1	3.15	5.78	17.27	7.17	959.77
T-SE SmallCop	1714.10					2025.65	3.38	6.42	19,80		1341,32
T-SE SmallCap ex inv Trusts	1700.21 1489.23		1710.68 1488.58			1991.98	3.56 4,15	7.18 7.21	17.78 16.60		1335.B8 1168.83
FT-SE Actuaries All-	Share	_						_			
	Jan 23	Day's	Jan 20	Jan 19	Jan 18	Year	Div. yleid%	Earn yield%	P/E ratio	Xd adj.	Total Return
10 MENERAL EXTRACTION(25)	2002.83	-1.0	2630.26	2659.31	2066.54	2659.B1	3.52	5.21	24.29	0.00	1050.81
12 Extractive Industries(7)	3478.87	-1.3	3525.38	3575.27	3802.86	4009.13	3.48	5.60	22,10	0.00	960.00
1S Ok, Integrated(3)	2600.19		2624.71				9.74	5.78	21.56	0.00	1073.77
15 Oil Exploration & Prod(15)	1857.13	-1.5	1886.24	1888.44	1677.40	1977.28	- 2.63			0.00	1074.50
20 GEN INDUSTRIALS(279)	1790.05	-1.4	1816.01	1832.77	1647.24	2176.65	4.35	5.95	20,10	1.12	921.31
21 Building & Construction(38)	847.03	-0.7	953.84	960.10	965.31	1494.94	4.10	6.45	20,29		747.76
22 Building Matte & Mercha(32)	1688.17	-1.8	1720.52	1738.40	1751.30	2893,22	4.43	8.43	18.74	0.20	803.53
23 Chemicals(23)	2223.93		2255.05				4.25	4.88	25.36	0.50	993.89
24 Diversified Industrials(15)	1756.04		1783.27				5.37	8.54	17.65	1.84	910.18
25 Bectronic & Bect Equip(36)	1827.19		1847.97				4.15	6.90	17.02	1.48	903.59
26 Engineering(72)	1726.42		1751.66				3.50	5.67	20.70	2.12	996.38
27 Engineering, Vehicles(13) 28 Paper, Policy & Printing(25)	2018.97 2737.83		2049.71 2766.78				4.96	1.70	80.001	0.18	987.42
29 Textiles & Appeard(21)	1489.98		1S13,38				3.21 4.54	5.88 6.58	19.70 19.74	0.00	1083.81
											853.17
30 CONSUMER GOODS(95)	2747.01		2745.11				4.39	7.39	15.73	7.20	957.18
31 Brewerice(18)	2158.86		2192.97				4.41	8.24	14.64		992.90
32 Splifts, Wines & Ciders(10) 33 Food Producers(24)	2491,71 2249.13		2542.34 : 2272.53 :				4.58	7.64	15.12	26.30	850.78
34 Household Goods(10)	2403.33		2417.31				4.35	7.83	15.15	3.92	958.54
36 Health Care(18)	1560.32		1564.69				3.70 3.20	7.50 3.54	16.05 39.27	0.45	870.82
37 Pharmaceuticals(13)	3330.42		3243.74				4.04	6.41	18.04	0.58	911.54
38 Tobecco(2)	3610.04		3686.53				5.95	10.09	10.82	0.00	823.48
40 SERVICES(281)	1816.80		1845.30				3.46	7.41	16.29	2.46	901.63
41 Distributors 32	2434.03		2455.81				3.84	12.77	8.45	1.53	851.06
42 Leisure & Hotels(29)	2033.71		2067.22				3.54	5.83	20.25	7.03	1011.86
43 Media(43)	2826.32	-1.5	2655.40 2	2692.83	2711.86	3170.35	2.68	5.92	19.75	1.78	915.05
44 Retailers, Food(16)	1755.24		1773.42				3.75	9.08	13.51	1.85	1080.40
45 Retailers, General(45)	1499,39		1521.85				3.57	7.75	15.90	1.81	917.02
48 Support Services(38) - 49 Transport(21)	1455.14		1478.66				2.66	6.59	17.67	0.30	881.38
49 Transport(21) S1 Other Services & Business(7)	2115.44 1213.41		2173.24 (1214.16 (3.68	8.90 3.73	17.07	3.32	837.21
60 UTILITIES(S7)	2331,71		2364.88				4.60	7.90	36,57	262	1055.05
82 Sectricity(17)	2467.23		2483.68				3.95	10.25	15.25 11.64	6.08	918.41
64 Gas Distribution(2)	2007.50		2033.81				5.97	#	11.04	17.55 0.00	1054.83 942.95
86 7elecommunications(5)	1930.58		1973,71				4.23	7.75	15.78	0.00	837.87
68 Water(13)	1686.15		10.866				5.94	14.24	7.66	4.62	858.79
69 NON-FENANCIALS(887)	1500,89	-1.1	1516.04	632.37	1643.84	1849,97	4.11	9.90	17.37	2.46	1145.17
70 FINANCIALS(119)	2010.1S		2055.62				4.81	10.04	11.68	0.25	802.88
71 Banks, Retail(9)	2582.93		2662.35 2				4.74	11.08	10.33	0.00	777.84
72 Banks, Merchant(S)	2981.56		010.23				3.73	8.36	12.47	0.00	905.56
73 Insurance(27)	1106.S1		131,95 1				5.85	10.65	10.71	0.27	785.28
74 Life Assume(6)	2304.59		2353.27 2				5.55	8.08		0.00	891.90
77 Other Financial(23)	1860.20		1877.26 1				4.01	7.85	15.60	1,48	1005.73
79 Property(45)	1341.88	-1.1	1357.19 1	367.98	1366.35	1841.05	4.48	7.93	15.78	0.42	778.84

M Hourly movements

60 INVESTMENT TRUSTSHSS

88 FT-SE-A ALL-SHARE(919)

	Open	9,00	10.00	11,00	12.00	13.00	14.00	15.00	16.10	High/day	Low
FT-SE 100	2968.8	2963.0	2969.9	2976.8	2964.1	2986.9	2957.2	2950.7	2952.4	2992.0	294
FT-SE Mid 250	3395.0	3397.8	3332.9	3396.0	3391.2	3391.0	3388.2	3383.8	3383.5	3398.7	
FT-SE-A 350	1489.1	1494.8	1489.3	1492.3	1486.9	1488.0	1484.0	1481.0	1481,8	1498.4	338 148

-2.2 2682.82 2617.78 2631.80 3087.12

-1.3 1488.38 1503.00 1513.85 1742.31

-0.6 995.13 997.82 999.37

887.7 3316.5 1685.7 967,7 3305.2 1685.9

AN ALLIANCE FOR LEADERSHIP **QUALITY AND GROWTH**

The Alliance between Gardner Merchant and Sodexho, whilst trading separately, will bring together two highly regarded international organisations. The two companies will, in combination, constitute the largest company of its kind in contract catering and hold a leading position in all the key markets for contract food services.

This unique Alliance will continue to invest in the training of its people, and the quality of its food service operations and systems, to ensure that a platform for enhanced growth is secured throughout the world.

Maintaining the separate identity and development of the two companies, pursuing their activities in similar markets, but exhibiting particular strengths in different parts of the world, will produce the best opportunities for all. The retention of the individual names and identities of the two companies will reflect their different cultural strengths.

Gardner Merchant and Sodexho will dovetail together into the perfect fit.

Gardner Merchant will, in contract food services represent the Alliance in the UK, Ireland, Holland, Australasia, Singapore and Hong Kong.

Sodexho will, on its own, represent the Alliance in France, Spain, Italy, Finland, Southern Central and Eastern Europe, Africa, South and Central America and The Middle East.

In other countries, both companies will continue to operate as separate entities.

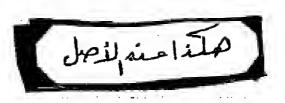
Kelvin will continue to operate throughout the world as a separate entity under the auspices of Gardner Merchant. Remote Site Services will continue in a similar mode and be controlled by Sodexho.

For any proposed development in a new country the most appropriate member of the Alliance in terms of cultural strength will be the appropriate operator.

Gardner Merchant will maintain an independent Board comprising 5 Gardner Merchant Senior Executives, 4 from Sodexho, and 3 external Non-Executive Directors. Gardner Merchant's Chief Executive, Garry Hawkes, will become Chairman and Chief Executive of Gardner Merchant, will join the Board of Directors of Sodexho, and will be named Directeur Général (Managing Director) of Sodexho, alongside Patrice Douce, also Directeur Général of the Group.

Vive la Difference





MARKETS

EUROPE 8.33 7.07 8.20 2.26 4.45 4.80 2.75 Sydiani Sydiani Sydiani TV4 Treith Tritoni Volvoi Volvoil 71-50 150-7-7-1-50 450 144 117 128 128 128 128 175 ATIONAL CONTROL OF THE STATE OF Testale and testal Adiada in properties of the second of the se 57842645728600 77426458547778585847778585847877 82545578 882244585578 8822458577 825458577 825458577 825458577 825458577 825458577 825458577 82545857 8254587 8255 Brgand Brgand Brgand Brinna Det. 6 Clynoin Helisy Left H Maddys Moraks Missignal Froeta Sagabli Sagab Sagabli 170.4 4060 1.2660 1 Dominit Dominit Dominit Depth of the Control of the 13 13 13 7,300 4,000 13,450 4,450 2,360 21,000 11,000 12,510 12,510 13,500 1,510 336.20 150.50 -20 48.50 9.50 — 8 7.45 -50 330 121.50 -80 117 22 -20 179 4.80 4,590 8,450 3,480 2,100 7,550 4,060 -63 5.131 -50 3,000 -6 3,540 -96 4,200 - 18,507 -151 5,875 -105 3,939 -120 5,125 439 871 857 966 190 729 730 705 1,004 625 612 1,171 2,406 1,920 2,850 2,879 12,007 4,749 3,370 2,070 Acesta Acessa Aquille Acesta Aquille Acesta Aquille Acesta Aquille Barrior Bandid Bandid Barrior Bandid Barrior Bandid Band 13,000 2,445 6,200 14,470 14,470 14,470 15,280 15,280 15,280 15,280 15,280 15,280 10,280 11,840 11,8 TURKEY (Jan 23 / Tk Lim) -400 -500 +100 -500 -500 -250 -200 -500 -300 Arcinas Cukél Egebir Nokum Peddir Téabar 1001/04 Turkil Turkil Autori Brisnot Britand BPT mbr HMSamp HMSamp Indio?? Button KAF ar UTract 11111 PACIFIC Agentide Advantage Agentide Advantage Advantage Advantage Advantage Advantage Advantage Agentide Agent 1.1506 1.1020 1.0020 1. Amass Achard Achard Carling Diplisa FarGra Edonna FarGra Edonna FarGra Human H -68 237.80 tra.80 -69 3,720 1,830 -420 214 132.15 -9.70 384.50 284.70 -70 224.50 123.80 -5 494 328 -1.50 415.50 350 -7.10 650 427.50 -6.60 568 460.15 +1.90 900 389.50 -9.30 308 221 -3.50 335 238.30 -1 355 231 5.8 AGA A AGG B AGG G -1 92 -59 95.75 -8 98.75 -8 888 -8 1205 -1 20 108.50 -1 20 108.50 -1 20 108.50 -1 20 108.50 -1 20 108.50 -1 20 108.50 -1 20 108.50 -1 480 -1 20 108.50 -1 480 -1 480 -1 10 108.50 -1 74 74 74 541 175,50 191 187 94,90 168 88 863 405 94,50 94,50 150 188 30,50 400 116,50 7,180 1,106 466 1,060 1,470 1,470 2,510 390 5,06 2,130 1,450 477 587 622 431 380 473 1,480 576 770 267 948 606 406 331 730 785 552 810 970 1,820 475 AGINGV AVIA ANAMARIA ANAMARIA ARKO BASIF BAIW PF BUIWER BINGES BUIWER BINGES BUIWER BUIWER BUIWER BUIWER BUIWER Jan 23 / Fls.) 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P/E ratio 19.06 NEW YORK ACTIVE STOCKS Jan 13 Jan 6 2.73 2.76 Jan 11 Jan 4 2.44 2.45 18.76 18.71 ■ TRADING ACTIVITY Year ago 2.59 Year ago 2.35 28.07 Y 762.04 771.25 780.74 **858.27** 185.94 2168.0 2194.5 2223.2 2465.50 25594 2026.83 2056.58† 2088.36 2271.71 165594 762/M 5/10/94 2118/30 5/10/94 1980/59 7/10/94 Series Bk Ind (31/12/58) 804.37 22/11/94 829.42 828.15 821.65 1194.58 18/1/94 Stocks traded 16,692,400 8,539,300 7,428,400 3,180,600 4,685,500 4,685,500 3,974,000 3,754,800 3,750,700 3,754,100 Change on day +2%4 +1% -1% +1% -2% +1% -1 -1 -1% | (million) Jan 20 Jan 19 Jan 10 SE 375.338 297.757 344.567 13.927 17.035 13.989 319.205 304.533 319.730 Close price 26% 35 26% 574 47% 21 14 18% 20 39% 51 New York SE Amex NASDAG NYSE Issues Traded Rises Fatis Unchanged New Highs New Loves Telefonos Ford Motor FUR Nabbsco Chrysler Val Mart Santa Fe EMC Corp Gen Motors Gen Elec 2,945 1,064 1,157 724 56 27 2,941 740 1,465 736 25 51 2,950 732 1,414 804 37 37 WCRLD MS Capital Int (1/1/70)S CROSS-BOPEDER Bustrack 100(26/1050) Euro Top-100 (25/6/90) JCapelOrgns (71/12/88) Bustings Emery (71/12/8) 581,84 13/12/94 979,00 10/1/95 1288,48 5/10/94 1136,48 5/10/94 271,76 16/1/95 137,81 11/1/95 1313.82 1180.75 272.15 140.79 1323.84 1540.19 31/1/94 1171.25 1311.01 2/2/94 277.64 285.19 5/1/94 146.41 191.78 25/9/94 Japan Histori 225 (19/5/49) Histori 300 (1/10/92) 17785.49 18840.22 19075,74 21882.81 254.80 267.88 272.61 311.71 MOEX FUTURES Low Est. vol. 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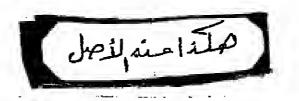
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Jan 23

Hourty changes.

cue from Tokyo stocks

Wall Street

The sell-off on Japan's Nikkei index and continued worries about another interest rate increase helped to push down a jittery US market yesterday morning, writes Lisa Bransten in New York.

By 1 pm, the Dow Jones Industrial Average was down 23.89 at 3,845.52. The Standard & Poor's 500 lost 2.13 at 462.65 and the American Stock Exchange composite fell 2.21 to 435.43. The Nasdaq composite dropped 6.54 to 755.51. Trading volume on the NYSE came to 184m shares.

Investors took their cues yesterday morning from the Japa-nese market, which lost 5.6 per cent in Monday trading. That only added to continuing fears that the Federal Reserve will tighten monetary policy further at the January 31 meeting of its open market committee.

On Friday the Dow was down as much as 50 points during the day before it rebounded. to close only 12.78 down at 3.869.43.

Several oil companies beat the falling market yesterday as quarterly earnings reports came in above analysts' expec-tations. Exxon was up \$% at \$63%, Amoco rose \$% at \$59% and Texaco climbed \$% at \$62%. Mobil, which reported its earnings last week, added to Friday's gains, rising \$% at

Shares in Dr Pepper/Seven-Up Companies jumped more \$31%, amid reports emerging over the weekend that Cadbury Schweppes of the UK would buy the US soft drink company for about \$33 a share. IBM fell \$1% at \$73% in spite

of reporting better-than-expected quarterly earnings. Technology shares mostly fell with the declining market. Motorola was down \$1 at \$60%, Hewlett-Packard off \$1% at \$103%, Advanced Micro Devices shed \$% at \$30% and Texas Instru-ments lost \$1% at \$72%.

Stratus Computer lost nearly 27 per cent of its value, plunging \$10% at \$28% in spite of reporting net earnings for the fourth quarter of last year, after a loss the year before. Two securities bouses downon the stock after the technology group said that it expected 1995 revenue growth to be flat,

or below last year's levels.
Merrill Lynch, which
dropped \$% at \$35%, also reported earnings below expectations. Shares in tha securities house were off nearly 2 per

Toronto extended last Friday's significant declines, the TSE 300 composite index falling another 61.0 to 4,037,90 in a sell-off sparked by interest rate fears and concern over Canada's financial problems.

All 14 sector indices posted losses, led by golds, media, transport and conglomerates. Volume was 26.67m shares valthan 6 per cent, up \$1% at ued at C\$359m.

Brazil declines 4.1%

SAO PAULO fell 4.1 per cent in light midday trade on lingering concerns about whether President Bill Clinton would succeed in convincing Congress to approve the US aid package for

The Bovespa Index was off 1,574 at 37,049 at 1300 local time, in low turnover of R\$79.3m (\$93.1m).

Telebras preferred plunged 6.0 per cent to R\$29.70, while Petrobras preferred gave up 5.5 MEXICO remained con-

cerned about developments in market was also dragged lower of higher US interest rates.

President Ernesto Zedillo named new ministers for agriculture, agrarian reform and education.

The 37-share IPC index

ropped 50.28 or 2.4 per cent to 2,015.57 in early trade, near to support at the 2,000 level. Telmex L shares dropped 1.6 per cent and its A shares slid

0.6 per cent. The BURNOS AIRES blue chip Merval index dropped 9.29 or 2.2 per cent to 427.11 in early trade on continued fears of a lack of American resolve to the US Congress, while the help Mexico and expectations

	% «	žaoge in foo	of currency †		% change sterling ?	% change to US S ?
-	1 Week	4 Wooks	1 Year	Start of 1984	Start of 1994	Start of 1994
Austria	-3.66	-5.75	-20.16	-17.28	-11.88	-5.29
Belgium	-0.06	-2.49	-11,36	-10.38	-3.11	+4.13
Denmark	-1.44	-0.48	-17.12	-10.48	-4.88	+2.23
Finland	-1.24	+3.94	+8.12	+25.68	+45.13	+55.97
France	-2.12	-5.98	-12.47	-18.89	-14.68	-8.31
Germany	-0.29	-2.25	-5.72	-17,40	-5.12	+1.98
Ireland	-1.75	-0.43	-7.99	+0.66	+4.72	+12.55
Italy	+5.39	+6.72	+12.17	+10.46	+10.55	+18.81
Netherlands	-0.62	-1.05	-6.08	-3.97	+2.58	+10.24
Norway	-0.61	-3.10	-5.42	+2.56	+8.69	+16.61
Spain	+0.76	-4.83	-17.B4	-14.51	-13.38	-6.90
Sweden	+0.07	+2.85	+0.29	+8.13	+13.16	+21.62
Switzerland	-0.78	-2.76	-14.07	-11.13	-3.20	+4.05
UK	-1.65	-2.73	-14.35	-12.15	-12.15	-5.58
EUROPE	-0.79	-2.24	-11.56	-10.30	-7.04	-0.06
Australia	+1.09	-1.90	-14.64	-11.38	-6.59	+0.39
Hong Kong	+0.57	-12.33	-37.19	-40.77	-44.93	-40.82
Japan	-3.73	-6.03	-6.21	+0.60	+5.34	+13.21
Malaysia	-1.98	-13.04	-17.50	-32.15	-33.35	-28.36
New Zealand	+2.35	+2.67	-10.31	-6.29	+0.10	+7.58
Singapore	-2.80	-12.21	-10.28	-18.55	-15.65	-9.34
Canada	-0.56	-1.96	-6.40	-1.32	-14.71	-8.34
USA	-0.25	+1.11	-1.45	+0.16	-6.80	+0.16
Mexico	-5.25	-8.67	-16.36	-16.02	-57.38	-54.20
South Africa	-5.40	-7.98	+10.02	+8.87	+5.10	+12.95
WORLD INDEX	-1.53	-2.73	-7.15	-4.73	-5.75	+1.30

FT-ACTUARIES WORLD INDICES

.175.18

-146.09 -124.46

.. 192.15

..161,34 ..143.02

....81.49 ...147.32

423.75

1083.64 218.50

..73.06

.333.18

.301.75

166.62

190.22

175.22

.153.72

Austria (16) . Belgium (35)

Canada (103

Finland (24)

Netherland (19

New Zealand (14

Singapore (44) ... South Africa (59)

United Kingdom (205)

Americas (862)

Euro-Pacific (1532)

Europe Ex. UK (518)

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in control

109.82

181.54 130.67

685.56 137.60 45.80 131.54 208.87

189.18 61.32 149.71 104.45 88.05 121.36

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136.21 91.58 118.05 78.02 235.63 158.42 179.16 120.45 150.44 101.14 133.35 88.65

270.02 194.36 75.98 137.36

395.10 1012.70 204.86 68.12 196.66 310.67

281.35 120.96 222.68 155.35 130.95

163.37

157.87 214.43 143.33

149.34 173.56

132.85 114.59 67.62 198.22 150.71 126.55 112.18

112.18 112.16 227.15 287.51 186.42 63.92 96.86 115.55 92.35 332.38 418.40 857.60 6809.68 172.17 199.50 221.95 167.33 262.01 130.69 131.03 110.17 136.70 151.86 130.51 149.20 190.22

147.04

118.00 185.99 128.60

191.64 122.29 139.01

137.43 132.89 180.38 120.58 125.63 146.00 118.67

171.60 126.04 131.02

204.57 188.18

Dow takes its Whiff of panic as bourses follow Asia, US down

The plunge in Japanese and ated its decline to end 37.83 or other Far Eastern stock markets yesterday, added to last week's equity weakness and the assumed direction of interest rates, left bourses with only one way to go, urites Our Mar-

kets Staff. There was a whifi of panic, said Mr John Blackley at James Capel. Investors were worried that Japanese investors will pull money back from abroad to repair the domestic economy.

European equity markets had been trying to go better since the start of this year. said Mr Blackley, but there had been no strength in any upward movement that they had achieved. Renewed losses in US shares and treasurtes yesterday afternoon put the finishing touches to a misera-

ble day. FRANKFURT, shaken by last Friday's Merrill Lynch downgrade of Daimler, saw its deepest share price losses in the automotive and the engineering sectors as the Dax index declined 28.75 to 2,026.83 on the

Bunds saw pronounced eakness in the afterooon and the Ibis-indicated Dax acceler1.8 per cent lower at 2.013.03 m the post bourse.

Turnover eased from DM6.6bn to DM6.5bn. Daimler was down another DM16.50 to DM706 for a two-day decline of 5.8 per cent. It was joined most obviously by BMW and MAN in the automotive sector, with falls of DM19 to DM736 and DM11.60 to DM402.90 respectively, and by a sheaf of engineering and metal stocks, with Deutsche Babcock, down DM7.80 at DM185.20, and Preus-

sag, off DM14 at DM443.50, among the most prominent PARIS was full of corporate stories, but some of these may have helped the CAC 40 index drop 40.49 or 2.2 per cent to 1,772.84, its lowest level for nearly two years. Financials, oils, consumer

stocks and groups touched by scandal led the market down. In financials, Suez dropped PFr11.60 to FFr230.10: following its chairman's forecast of a "very modest" profit for 1994, blaming property problems and the subsequently sold Victolre insurance operations, James Capel cut its 1994 net profits forecast from FFr1.5bn to FFr515m.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES Open 10.30 11.00 12.00 13.00 14.00 15.00 Close FT-SE Armireck 100 1201.66 1301.77 1301.49 1299.25 1298.02 1293.06 1291.62 1291.62 Jen 17 Jan 20 Jan 19 Jan 16 1327.01 1329.65 1285.53

In oils, indications of a slight increase in income from sources close to Elf Aguitaine. ahead of Thursday's results, left the shares FF78.30 lower at FFr360, and Total dropped FFr9.70 to FFr287.

Elsewhere, Schneider denied that Skanska, of Sweden, was to take an important stake in its 60 per cent owned construction subsidiary Spie Batignolles; that left Schneider FFr11 lower at FFr355.30, and Batignolles a weighty FFr26 or 10.5 per cent off at FFr222

ZURICH extended its losses during the day as the weak dollar and outlook for higher interest rates added to the pressure. The SMI index fell 49.3 or 1.9 per cent to 2.525.3. Financials were weak, mostly in line with the market. although the insurer Winterthur lost 4.1 per cent, falling SFT27 to SFT625. Nestlé, which reports 1994

sales later this week, dipped SF127 to SF11,171. Roche certificates fell SFr125 to SFr6,270 and Ciba was marked SFr15 lower to SFr768, amid market suggestions that they might become rival bidders for Wellcome. However,

Mr Claudio Werder at Bank Vontobel in Zurich said that while Roche and Ciba had the funds available, Wellcome would fit better with Roche since both were in the field of immunology. "But if Roche was actively interested in Wellcome, it would not have waited to make a move until Glaxo was already knocking on the door," he added.

MILAN was oblivious to

Share prices (rebased)

Oct

ring to content itself with indications that Mr Lamberto Dini. the prime minister, would win parliamentary backing for his new government in tomorrow's confidence vote. The Comit index added to last week's 5.8 per cent rally with a 7.85 or 1.2 per cent rise to 679.28.

Banks remained active. Credito Romagnolo fell L1,549 or 8.2 per cent to L17,300, after a day's low of L16,965, as investors registered disappointment that the Consob bourse watchdog had ruled out another offer from Cariplo to challenge the

latest, improved bal from Credito Italiano.

Italiano guined L36 at L2,050, off a high of L2,105, on resurfaon a mgn or LE, LUS, on resurs-cing rumours that it might face a bid from Caraplo, Merrill Lynch downgraded the Italiano stock from a hold to a sell on the view that the rumours

phone

were unfounded. AMSTERDAM pared early losses after the AEX index held technical support at 404. It closed 5.71 lower at 405.05, with Royal Dutch, the sole bright spot, ending 50 cents higher at FI 186.60 following last Friday's outperformance in a falling US

MADRID hit banks the nardest after its recent fixation on electric utilities, Argentaria, BCH and Santander all falling by some 3 per cent as the gen-eral index closed 5.01 or 1.8 per cent lower at 275.95. Turnover

was just over Pta24bn.
INTANBUL blamed political uncertainty ahead of a joint congress by two social democratic parties as the composite index fell 875.54 or 3.4 per cent to 24,644.81, following a 3.9 per cant drop last week.

Written and edited by William

Nikkei falls 5.6% to one-year low as region tumbles

Stocks plunged to a one-year low as the death toll of last Tuesday's devastating earthquake topped 5,000, writes Robert Patton in Tokyo.

A drop of 1,054.73 or 5.6 per ceot took the Nikkei 225 average to 17,785.49, breaching the crucial 18,000 line for the first time since January 6, 1994 and only slightly above the day's low of 17,778.79, after a high of

Declines swamped advances by 1,083 to 40, with 41 issues unchanged. The Topix index of all first-section stocks lost 68.72 or 4.7 per cent at 1,390.68; lt had not been below 1,400 since December 8, 1993.

Volume was estimated at 400m shares, after Friday's 383.8m. The Nikkei 300 plummeted 13.09 or 4.9 per cent to 254.80. In London the ISE/ Nikkei 50 index eased 1.49 to

Foreign sellers of index shares triggered the slide in the market. Until recently, foreigners had been an important source of support but yesterday it was reported that they were selling in response to growing fears that the costs of rebuilding Kobe would weigh heavily on an economy inst beginning to dig itself out from the worst recession in its post-

Some analysts put a positive face on the situation. Mr Yasuo Ueki, Nikko Securities manager of equities operations, called the day's move "excessive . . . an [overreaction] to negative effects of the quake". He felt that once the decline has run its course, the stimulative effects of rebuilding would cause the market to rebound.

However, the Osaka Chamber of Commerce and Industry chairman, Mr Masafumi Onishi, told a press conference that the losses to business due to earthquake damage far outweighed any economic stimulus that the need for

rebuilding might provide.

Meanwhile, the yen declined against the dollar, moving with the equity market for once. Brokers attributed the move to foreign sellers of Tokyo stocks shifting proceeds into dollars, lifting the US currency at the expense of the yen.

Construction shares lost much of their speculative appeal Taisei fell Y12 to Y631, Sato Kogyo Y30 to Y720 and Obayashi Y20 to Y700, but Sumitome Construction inched up Y2 to Y500 in volume of 6.3m shares, the day's fourth

NTT took a massive Y61,000 hit to close at Y766,000, and other privatised companies plunged. East Japan Railway shed Y11,000 to Y466,000 and Japan Tobacco Y18,000 to Y891,000.

Heavy foreign selling also wiped out the gains of hightech and electronics stocks which had attracted buyers last week. Matsushita Electric. which announced plans to join Time Warner and Toshiba in opposing the digital video disk format recently proposed by Sony and Philips, receded Y90 to Y1,400. Toshiba declined Y33 to Y605 and Sony was off Y130 at Y4,910. Some analysts saw, in this situation, the potential for a replay of the costly battle of VHS and Betamax systems for video market dominance.

19.738.1. Roundup

The region's response to Tokyo's fall was swift and decisive, coming on top of continu ing worries about the health of the Chinese leader, Deng Xiaoping, and the outlook for higher interest rates. Investors were also worried that Japa nese companies might with. draw money from overseas markets and slow their investment around the region after last week's earthquake. HONG KONG finished at an

S Africa industrials under pressure

106.01 111.29 105.88 91.58 79.48 157.98 119.85

115.62 100.37 199.47 151.35

90.20 113.90 113.90 150.40 185.84 234.68 293.10 493.01 130.89 165.03 187.85 216.60 50.19 63.38 95.91 97.78 93.39 112.70 93.39 170.10 275.47 345.34 426.87 594.76 710.13 896.73 6759.47 2647.08 1 137.34 173.43 170.89 223.30 48.68 58.94 61.24 77.59 131.57 185.14 189.88 214.65 214.66 271.33 228.27 401.38 190.14 240.10 274.74 342.00 61.24 102.57 130.16 155.79 149.20 188.41 263.12 242.81 104.03 131.37 131.66 176.56 21.07 115.00 149.63 121.72 153.71 182.46 214.96

147.68 148.49 214.59 102.27 120.68 186.86 129.68 195.18 123.94 140.43 174.28

291.75 176.65

101.58 151.35 90.20 113.90 185.84 234.68 130.69 165.03 50.19 63.38 93.39 118.70

104.03 131.37 81.07 115.00 121.72 153.71

110.94 140.10 106.28 134.21 149.69 161.45 88.13 123.32

95.58 120.69 140.07 176.88 101.81 228.57

115.47

133.66

17028 180.79 107.27 135.45 144,23 180.80 166.19 172.11

158,90 166,83 158,69 137,25 119,14

235.78 179.66

152.27 135.20 278.57 195.90 75.24 140.90

400 94

1064,47 205,37 69,97 197,22 322,08

295.02 121.76 223.65 155.94 136.62 182.48 180.44

166.30 159.31 215.39 147.10 152.10 176.65 143.27

173.09

Johannesburg's industrial shares bore the brunt of the impact from the slide on Asian markets, but gold issues managed to post mild gains in

Gross Div. Yield

3.98 1.16 4.25 2.69 1.45 3.25 1.85 3.42 1.83 2.44 4.84 1.93 2.44 4.49 1.28 2.89 2.89 2.93

2.88 3.15 1.39 1.21 2.06 2.92 2.51 3.49 2.07 2.18

2.38

-0.4 -0.9 -0.5 -1.8 -1.4 -0.5

250,72 190,23 161,23 163,16 294,97 207,43 176,67 149,19 434,09 74,09 208,83 301,79 128,93 128,93 165,12 144,55 193,07

176.09 168.69 228.07 155.76

181.05 167.04 151.71

response to the firmer bullion price. The overall index finished 69.4 weaker at 5,341, industrials fell 114.2 to 6,449.5 and golds rose 15.2 to 1,787.8.

146.13 188.15 140.55 198.85 130.96 177.04 227.11 – 129.64 144.70 205.74 275.79 189.14 201.41

191.28 62.05 177.53

124.87

187.70 211.03 148.16 152.35 158.25 151.01

	% Change
Singapore	-5.5
Bangkok	
Hong Kong	-4.3
Kuala Lumpur	-4.0
Shanghai A	
Bombay	
Jakarta	
Shanghai B	
Seoul	
Taipe	
Manila	
Sydney	

THE DAY'S FALLS

18-month low as the Hang Seng index dropped 310.17 to 6.967.93, which was also its biggest single-day decline since January 3. In subsequent London trading the indicative index fell a further 83 to 6,884. Some Japanese selling was noted, while domestic investors were also hesitant ahead of tomorrow's government

land auction, which is expec-

trend of sinking prices. Turnover picked up to HK\$3.1bn, compared with Friday's HK\$2.8bn. The H share index tracking 15 Hong Kong-listed mainland China companies shed 28.59 or 3.1 per cent to 888.77. Banking stocks led the market's fall, with the finance sub-index slipping 5.8 per cent, while property shares gave up 4.2 per cent. SINGAPORE ended at a 16-

ted to confirm the recent

hit by a tide of selling from Japanese institutions and Hong Kong-based funds. The Straits Times Industrial Index lost 111.67 at 1,916.94 BANGROK was lower on

selling led by institutional investors which caused retail investors to follow suit. The SET index ended 60.46 down at 1,191.26, having recovered from a low of 1,179.30.

KUALA LUMPUR saw a

wave of forced selling and foreign redemptions, particularly by Hong Kong funds, which left the composite index 35.03 lower at 850.10.
TAIPEI encountered waves

of late selling which took the weighted index down 136.95 to 6.295.04 in T\$47.2bn turnover. SROUL fell broadly as fears over tightening liquidity trig-gered helty selling. The com-

posite index relinquished 19.73 to 935.38, its lowest level since the end of August last year... SHANGHAI'S B shares closed sharply lower in beavy volume after Japanese investors withdrew from the market. in the wake of last week's earthquaka. The B index of shares available to foreigners lost 1.79 at 53.20. The domestic A market also dived at the close on renewed fears about the market's rapid expansion.

The index fell 18.11 to 570.67.

JAKARTA saw heavy selling

which pushed the official inde 9.92 lower to 496.16. One broker suggested that some Japanese insurance companies which needed cash for the Kobe quake disaster were among big

BOMBAY was unnerved by the combined effect of a pay-ments default crisis and a sharp fall in India's overse sheres. The BSE 30-share index dipped 116.60 to 3,483.93.

Brokers said the recent default by a senior Bombay broker involving around Refem and suggestions that at least four other brokers

faced defaults, prompted a stramble to raise cash.

MANUA picked up after an early self-off as investors started shurt-overing by midsession after the index had fallen below support at 2,400. The composite index still closed 41.21 down at 2,421.43 after touching 2,394.74.

March Art Se

C71.

Long To Bert

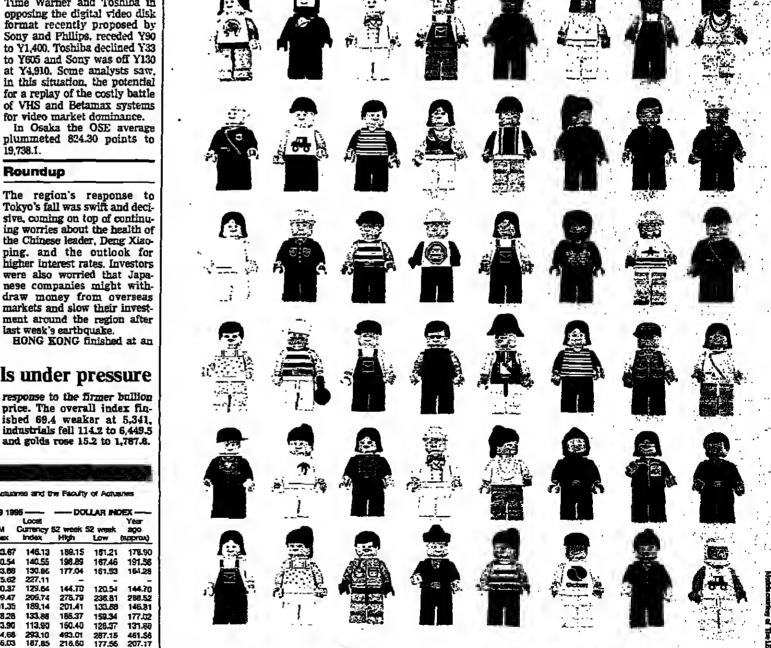
ECGG reports !

AL PARE

2000

C-:

72 to 1



THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back the things that others have taken away.



We're not even asking for money (though every cent certainly helps). ... But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything. UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees

around the world. UNHCR Public Information P.O. Box 2500

1211 Geneva 2, Switzerland

-0.5 157.92 106.17 132.85 142.76 .169.37 ~1.0

-0.5